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New Details In U.S. Probe Of Google

WASHINGTON—Key staff of the Federal Trade Commission concluded in 2012 that **Google** Inc. used anticompetitive tactics and abused its monopoly power in ways that harmed Internet users and competitors, a far harsher analysis of Google's business than was previously known.

By Brody Mullins, Rolfe Winkler and Brent Kendall

The staff report from the agency's bureau of competition, which hasn't before been disclosed, recommended the commission bring a lawsuit challenging three separate Google practices, a move that would have triggered one of the highest-profile antitrust cases since the Justice Department sued **Microsoft** Corp. in the 1990s.

The 160-page critique concluded that Google's "conduct has resulted—and will result—in real harm to consumers and to innovation in the online search and advertising markets."

The findings stand in contrast to the conclusion of the FTC's commissioners, who voted unanimously in early 2013 to end the investigation after Google agreed to some voluntary changes to its practices. Staff recommendations, which are supposed to remain private but were inadvertently disclosed in an open-records request, usually carry significant weight with the agency's five commissioners.

At the time of the vote, FTC commissioners were grappling with competing viewpoints, including a separate staff report from its economics bureau that recommended against a lawsuit.

Then-Chairman Jon Leibowitz said in a written statement at the time that Google's voluntary changes deliver "more relief for American consumers faster than any other option."

Google General Counsel Kent Walker said in a statement Thursday, "After an exhaustive 19-month review, covering nine million pages of documents and many hours of testimony, the FTC staff and all five FTC Commissioners agreed that there was no need to take action on how we rank and display search results."

"Speculation about potential consumer harm turned out to be entirely wrong," Mr. Walker added. "Since the in-

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Triple Whammy in the Skies—It's a Celestial Trifecta

Getty Images

Astronomers in Scotland prepare Thursday for Friday's solar eclipse, also the day of a supermoon and the spring equinox. **Articles, 6**

Merkel Intercedes in Greek Dispute

German Chancellor Angela Merkel is intervening directly in a deepening rift between Greece and its international creditors, a sign of Berlin's growing concern that the acrimony threatens the unity of the eurozone.

By Marcus Walker in Athens and Harriet Torry in Berlin

Ms. Merkel and other key leaders were due to talk with Greek Prime Minister Alexis Tsipras on the sidelines of a European Union summit on Thursday night. The chancellor has also invited Mr. Tsipras for face-to-face talks in Berlin on Monday.

Neither meeting is likely to resolve the dispute over Greece's financing needs and economic policies, European officials say. But they show that the Greek crisis is seen in Berlin as enough of a threat to Europe's stability for heads of government to get involved, these people say. The chancellor's message for Mr. Tsipras—that Greece has no alternative to cooperating with finance officials' demands—is likely to disappoint the Greek leader's hope for a lenient funding deal.

That Europe's most powerful leader is trying to assert her authority in the Greek debt crisis reflects Ms. Merkel's mounting worry that bad blood between Athens and other EU capitals could lead to Greece tumbling out of the euro—an outcome that no eurozone government wants, because of its unpredictable and potentially ruinous consequences.

So far this year, Ms. Merkel has left the Greek problem to her finance chief Wolfgang Schäuble, while she focused her foreign-policy energies on trying to stem the

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National Front Expands Base in French Elections

By William Horobin

GUERBIGNY, France—Even before votes are counted from Sunday's local elections, Marine Le Pen's National Front has scored a victory: For the first time, the once-fringe party will field candidates in nearly every constituency across the country—more than any other political group.

The growth underscores the party's success in expanding its base. Ms. Le Pen has toned down its far-right rhetoric, expelled activists for racist comments and latched on to public anger toward mainstream parties and the European Union, which many voters see as responsible for France's economic ills.

The surge is on display in the Somme district in northern France, where elementary-school teacher Yves Dupille is among thousands nationwide joining or returning to the anti-immigration, anti-EU party.

Mr. Dupille left the National Front 16 years ago after a period of infighting, then rejoined just over a year ago and became a town councilor in Amiens in March 2014. On Sunday he's targeting the next rung, seeking to become a representative in the wider Somme region, one of the country's 101 départements.

During a National Front meeting in the town hall of Guerbigny, Mr. Dupille said he had seen little chance of the party gaining power under the

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Inside

Central Banks Shake The Currency World

By Tommy Stubbington And Chiara Albanese

Central banks have lit a fuse under the foreign-exchange market.

Volatility in currency markets has recently rushed up as shifts in policy by major central banks spark huge bets. The turmoil marks a turnaround from recent years, when ultra-loose monetary policy around the world put markets into hibernation.

In the latest episode Wednesday, a message from the U.S. Federal Reserve that it is in no hurry to raise interest rates caused a slump in the dollar, which had run up a steep rally this year. The euro surged more than 4% against the buck, its biggest jump in a single day in 15 years, according to Deutsche Bank AG. On Thursday, the European currency resumed its slide, falling to $1.0621 by afternoon in New York, below the level it reached before the Fed announcement.

The sheer speed of the round trip in the euro-dollar

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House of the Day
A historic Georgian mansion in Hampshire, England.
online.wsj.com

Getty Images

In Greek Bailout Talks, Why It's 18 Versus One

[Brussels Beat]

By Stephen Fidler

As talks over Greece's bailout move closer to the brink, the 19 countries of the eurozone have split into two distinct camps: Greece and the other 18.

It didn't start off quite like this. The new government of Alexis Tsipras was greeted warily by many when it took office in January, given the left-wing leader's bold campaign promises of writing off the country's debt. But there were some sympathizers on the left among the leaders of France and Italy, and many expected Mr. Tsipras would change tack once he took office.

That shift hasn't been much in evidence and even the sympathy there was has evaporated somewhat. Finance Minister Yanis Varoufakis may have lost an ally in Italy when he declared that it too risks bankruptcy. Politicians across Europe of all political stripes are now saying both publicly and privately that Greece must follow the rules if it wants more aid.

Before a meeting of the Eurogroup forum of eurozone finance ministers last month, Austrian Finance Minister Hans Jörg Schelling declared, "In the Eurogroup meetings on Greece so far, there was a very determined finance ministers' front, 18 to 1, and we stay true to that."

Peter Ludlow, a Brussels-based historian and commentator on the European Union, says Greece's isolation inside the bloc may be unprecedented.

This, he and others say, has several explanations.

Some eurozone governments—Ireland, Portugal, Spain and the Baltic states—see themselves as having swallowed tough, politically costly but ultimately successful medicine and see no reason why Greece should be spared such rigor. Some, like Slovakia and the Baltic states, are poorer than Greece and pay their workers a lower minimum wage.

Another element is that further debt relief for Greece in whatever form means losses for governments—Athens owes other eurozone governments €195 billion ($212 billion)—and therefore for eurozone taxpayers. Germany is owed the largest sum—more than €60 billion—followed by France and Italy. But, as a percentage of their gross domestic product, other countries have more on the line than Germany. According to a Bloomberg Brief analysis, Greece's debts to Slovenia exceed 3% of Slovenian GDP, compared with 2.4% for Germany.

Another issue is political. Making big concessions to a radical political party in Greece that is seeking to tear up the eurozone rule book would, leaders fear, encourage insurgents in their own countries and jeopardize their careers.

Then there is the personal dimension: Poor personal chemistry between the new Greek government's inexperienced and sometimes charismatic politicians and their battle-scarred opposite numbers in the rest of the eurozone.

European Pressphoto Agency

Prime Minister Alexis Tsipras's government has found itself increasingly isolated.

For most of the latter, the rules matter. But it is more than that. Germany, many other governments and senior policy makers in Brussels believe their austerity strategy has been a success—and was finally working in Greece last year when its economy began growing after six years of contraction. Now, they believe that success has been jeopardized by the recklessness of Mr. Tsipras and his colleagues.

They also believe that recklessness has been encouraged by misguided political and economic philosophies and bad advice from abroad.

It isn't so much that many in Mr. Tsipras's Syriza party are Marxists—the eurozone can handle followers of the bearded 19th-century German philosopher. It is more that they are seen to be excessively influenced by a 20th-century British economist—John Maynard Keynes—and his living Anglo-Saxon disciples.

At finance ministers' meetings in Brussels, Mr. Varoufakis has been accompanied by American economists James Galbraith and Jeffrey Sachs. From across the Atlantic, the new government gets strong rhetorical backing from Paul Krugman, Joseph Stiglitz and others.

Thus, the philosophical home of Mr. Varoufakis, who taught at British, Australian and American universities, is viewed as being—as Mr. Ludlow says—in the "Anglosphere." Mr. Varoufakis's first visit as finance minister was, he points out, to London.

"Varoufakis and his colleagues and subordinates in the new government turned instinctively therefore to the U.K. and the U.S. even before they called on the European Left. So it was that Varoufakis made London his first port of call when he set about wooing foreign support in the first week in February," Mr. Ludlow said in a just-published evaluation of last month's summit.

For Mr. Varoufakis, his government and most Keynesian economists, the official eurozone position that the austerity medicine was working would be laughable if it hadn't had such a devastating effect on the Greek economy. From their standpoint, Greece has lost a quarter of its GDP and the eurozone is calling for more leeches to further bleed the patient.

The standoff between the new Greek government and the rest of the eurozone is therefore deep and complicated, the result of a clash of personal styles, of philosophy and of conflicting national interests. All 19 eurozone members still say they want Greece to stay in the club. But their differences won't be easily bridged. They may not even be bridgeable.

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EUROPE NEWS

Spain's New Leftists Face Electoral Test

By David Román

JEREZ DE LA FRONTERA, Spain—The upstart leftist party Podemos has risen like a comet in opinion polls to challenge the two-party system that has dominated Spanish politics since the 1980s.

But here in the southern Andalusia region, the site of a closely watched election Sunday, Podemos leaders are discovering the difficulty of converting discontent with established parties into votes.

José Ignacio García, a 27-year old psychologist who is running on the Podemos slate, says it is hard winning votes in rural areas where farm subsidies and scarce jobs are controlled by political bosses aligned with the Socialist Party, which has governed Andalusia for decades.

Mr. García says that many Podemos supporters in such areas are asking the party to send out ballots before election day. That way, sympathetic voters can put the ballots in the envelope at home rather than at the polling station, reducing the risk that someone will find out they broke ranks with the Socialists. A Socialist spokesman says the party doesn't spy on voters at polls.

Mr. Garcia's story helps explain why the Socialist Party and the center-right Popular Party, which governs at a national level, seem to be hanging on in a regional election that will serve as a litmus test of recent shifts in Spanish politics, as well as a possible preview of national elections later this year.

For Podemos, the vote will be its first domestic electoral test, after finishing fourth in its first race—for the European Parliament—almost a year ago.

An opinion poll released last week by Spain's largest radio network, Cadena Ser, showed the Socialists are likely to secure 42 seats in the 109-seat Andalusian parliament, enough to form a minority government, and not much below its current 47 seats. It currently governs with the small United Left.

Agence France-Presse/Getty Images

The leader of the antiausterity party Podemos, Pablo Iglesias, at a rally in Malaga last week for the Andalusia election.

The Popular Party would come second, with 26 seats, with Podemos third with 24 seats, the poll found.

Ciudadanos, another fast-rising party seen as socially liberal and conservative in economic policy, came in fourth in the poll with nine seats. It is running for the first time outside its base in Catalonia.

The election will likely result in a minority Socialist government without a stable partner in a highly fragmented parliament, says Alberto Garzón, the local leader of the United Left bloc, which is expected to come in fifth place. That may be a harbinger of things to come at the national level, where recent polling suggests that a clear winner won't emerge then either.

Both the Socialists and the Popular Party have been battered by discontent with Spain's 24% unemployment rate, as well as corruption scandals that have rocked the political and economic elite.

But in Andalusia, Spain's most populous region with eight million inhabitants and one of its poorest, the Socialists are benefiting from their strong political machine, headed by union leaders and farm foremen who dole out temporary jobs on huge private haciendas.

In addition, the Socialists made what now looks like a savvy move to call elections a year ahead of the end of term for the current regional parliament, says Jordi Rodríguez-Virgili, a political scientist at the University of Navarre.

That robbed Podemos and Ciudadanos of the time they needed to establish strong grass roots organizations here, he said. "If they can secure a win in Andalusia, as it seems likely, then the Socialists will be able to say they beat Podemos and they are turning the tide," Mr. Rodríguez-Virgili said.

Still, polls indicate that a significant number of voters remain undecided.

In Jerez, a city of just over 200,000 surrounded by haciendas, Podemos is making some converts among disaffected former Socialist supporters like José Núñez, a 58-year old carpenter.

"I'm tired of the same old people making the same old promises and the same old mistakes," Mr. Nuñez said. He says he now associates Socialists with a long-running legal case in Andalusia involving the alleged embezzlement of more than €1 billion ($1.1 billion) in public funds, many of them subsidies for training the unemployed. An Andalusian judge has named about 200 suspects, most of them Socialists. None have been formally charged.

But the Socialists have tried to blunt the damage by running a relative newcomer at the top of their ticket, 40-year-old Susana Diaz, who is seen as untainted by the scandals.

National political leaders have been flocking to Andalusia, reflecting its strategic importance.

At a recent campaign stop in Jerez, Prime Minister Mariano Rajoy gave a speech emphasizing the steady, albeit slow, decline in the unemployment rate.

Pablo Iglesias, the ponytail-wearing leader of Podemos, gave a speech last week aimed at older voters, many of whom have found themselves having to support unemployed offspring. He said Podemos needed the votes of "grandfathers and grandmothers who have broken their backs so their grandchildren don't have to emigrate."

Adding to Podemos's electoral problems, Mr. Iglesias has become a controversial figure because of ties that he and other Podemos leaders have with Venezuela's populist government.

Last week, Mr. Iglesias and three other Podemos members in the European Parliament voted against a resolution, passed by a large majority, calling for the release of the Venezuelan opposition members. Mr. Iglesias said the resolution was "extremist" and "ideological."

French Vote Shows Growing Support for National Front

Continued from first page

leadership of Ms. Le Pen's father, Jean Marie Le Pen. But the transformation under the daughter convinced him that is now possible.

"Marine Le Pen has changed how people see the National Front," Mr. Dupille said. "We have never governed—it is time we had our chance."

Nationwide, the party is running in 1,909 of 2,054 constituencies. That requires mobilizing over 7,500 party activists, as each ticket must have a male-female pairing and two deputies.

Turnout at the elections for such assembly elections is typically low, but the candidates provide a snapshot of the support base of the different national parties.

Among the National Front's candidates in the Somme alone are retirees, students, blue- and white-collar workers, civil servants, an engineer, a lawyer and a former Socialist party activist.

The rise of the National Front is already upsetting the political balance in France. The ruling Socialists of President François Hollande are lumbered with a poor record of high unemployment and hobbled by a split over economic policy. The center-right UMP, headed by former President Nicolas Sarkozy, is rebranding itself after a disappointing showing in EU elections last year.

While many of the National Front candidates will get knocked out by alliances between other parties in a second round March 27, the party is still expected to make gains.

An March 11-13 Ipsos survey of 1,473 people showed the National Front would take 30% of the first-round vote Sunday, followed by the UMP and centrists with 29% and the Socialist Party with 19%.

That is similar to polls before EU elections last May in which the National Front took the biggest share.

That could give the National Front a say in a wide range of policies from building schools and maintaining roads, to paying unemployment and disability benefits. Such influence will be crucial in building momentum ahead of legislative and presidential elections in 2017.

"The National Front will be able to create a network of people rooted at a local level and demonstrate greater influence in the life of the nation," said Jean-Daniel Lévy, a political analyst at polling company Harris Interactive.

That would strengthen Ms. Le Pen's claim that she now heads France's leading political party.

Prime Minister Manuel Valls has said that a big win for the National Front would be extremely serious for France and its international image. "I'm scared for my country. I'm scared it will be shattered by the National Front," Mr. Valls said in a television interview this month.

Analysis of data provided by the Interior Ministry suggests Ms. Le Pen's party is broadening its appeal. Nearly 19% of National Front candidates describe themselves as workers in the private sector and more than 5% are civil servants. There also are 14 doctors and as many lawyers on the National Front ticket.

The party also has a strong youth following. More than 15% of candidates are 30 or under, a figure that falls to 4.8% for the Socialist Party and 5.3% for the UMP. The youngest candidate running in the elections—18-year-old Noémie Clément—is on the National Front ticket. The party is also fielding the oldest, 91-year-old Françoise Sipière.

At the meeting in Guerbigny, 22-year-old Eric Richermoz, who joined the National Front two years ago and is running for the first time, said France's youth have given up on other parties.

"Youth are the first to be hit by decades of globalization and European federalization, which have created mass unemployment," he said.

The party has also succeeded in recruiting among professions typically loyal to far-left and Communist parties: More than half of the 255 candidates describing themselves as blue-collar are running on the National Front ticket.

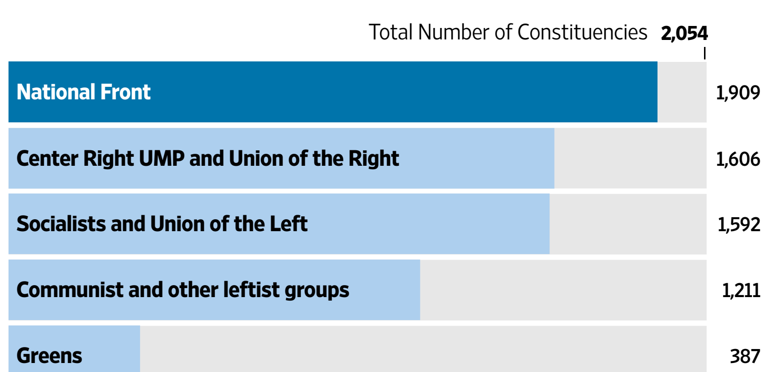
"Working class people don't vote Socialist anymore," said Mr. Dupille.

Zuma Press

National Front leader Marine Le Pen in Marseille on Wednesday.

Rise of the Right

Number of constituencies where parties are fielding candidates



Source: French Interior Ministry

THE WALL STREET JOURNAL.

EU Set to Reach Deal To Keep Russia Sanctions

By Naftali Bendavid

BRUSSELS—European Union leaders were set to reach an agreement that would pave the way for the bloc's broad economic sanctions on Russia to stay in place until year's end.

The 28 EU leaders, gathered for a summit in Brussels on Thursday, planned to issue a statement that would explicitly tie the sanctions to Ukraine's regaining control of its borders by Dec. 31, as agreed in a recent cease-fire deal reached in Minsk, Belarus.

EU members now plan to delay until June any action formally extending the sanctions. But by tying the sanctions to the Minsk border provision and its year-end deadline, the leaders would be making it more unlikely the sanctions would be rolled back before then.

"One of the best ways of supporting Ukraine will be through upholding the sanctions pressure on Russia until we reach a full implementation of the Minsk agreement," said Donald Tusk, president of the European Council, which consists of the 28 EU leaders. "This must ultimately include Ukraine regaining control of its borders."

The decision could provide EU countries some flexibility to ease sanctions if Russia takes conciliatory action before year's end. The agreement is a compromise between European governments that wanted to officially extend the sanctions on Thursday and those that said doing so would be provocative, given that the fragile Minsk cease-fire is showing signs of taking hold.

Agence France-Presse/Getty Images

Mr. Yatsenyuk in Brussels this week.

Ukrainian Prime Minister Arseniy Yatsenyuk, worried that some European leaders might push to weaken the sanctions now that the cease-fire is showing results, was in Brussels to urge the EU to resist that temptation and keep its united front against Russian President Vladimir Putin.

"If Putin splits the unity among EU member states and among the leaders of the EU member countries, this will be the biggest success story of President Putin and this will be a disaster for the free world," Mr. Yatsenyuk said.

The halting success of the cease-fire has underlined the fissures among EU countries. The U.K. and Baltic states have taken a tougher line toward Russia, for example. Leaders of Cyprus, Italy and Greece, in contrast, have recently visited Moscow or announced plans to do so. Other governments, such as Hungary's, have long made little secret of their skepticism toward sanctions. "Unfortunately we are looking at permanent conflicts," Finnish Prime Minister Alexander Stubb said. "And it looks like some people don't even want to solve them."

Those divisions were on display again at Thursday's summit. Estonian Prime Minister Taavi Roivas said that if it were up to him, the sanctions would be extended immediately.

"The best way would be to decide already today to roll over the sanctions," Mr. Roivas said. "In any case, I think the least we can do today is establish a clear linkage that as long as the full implementation of Minsk is not in place, the full range of sanctions has to continue."

Werner Faymann, chancellor of Austria, whose country has been among the most skeptical of sanctions, stressed instead the need to re-establish a normal relationship with Moscow as soon as that makes sense. "What is important is to set out how we normalize it again, once the Minsk agreement has been implemented," Mr. Faymann said.

Mr. Yatsenyuk asked the European leaders to send peacekeepers to eastern Ukraine to make sure Russia abides by the Minsk agreement. "We expect that our European friends will support this idea, because everyone wants to get peace in Europe and one of the tools to reach this peace is to deploy peacekeepers," Mr. Yatsenyuk said.

But EU diplomats said such a move would be premature, and that for now the EU will focus on supporting the personnel who are monitoring eastern Ukraine on behalf of the Organization for Security and Cooperation in Europe. The OSCE is a larger, 57-member group that includes EU members as well as Russia, Ukraine and the U.S.

The EU has already extended sanctions through Sept. 15 on individuals and firms involved in Russia's annexation of Crimea. The sanctions under discussion Thursday are the bloc's broader, tougher measures, including restrictions on Russia's banking, energy and defense sectors. Currently those penalties are set to expire in July.

The Minsk cease-fire deal called on both sides to withdraw soldiers and heavy equipment from the front lines. But the provision giving Ukraine control of its border is considered crucial by Western leaders, who accuse Russia of sending a flood of fighters and weapons over the boundary line. Moscow has denied assisting the rebels.

Vladimir Chizhov, Russia's ambassador to the EU, repeated this week in an interview with Japan's Mainichi news organization that the sanctions, similar to those imposed by the U.S., are illegal and ineffective. "The result has been lost jobs, stunted economic growth and forfeited business opportunities in both Russia and EU countries," Mr. Chizhov said, according to a transcript from the Russian embassy. "Time will tell which side has incurred larger economic damage."

Ultimately, European and Ukrainian officials worry that Russia's goal is to establish control, through perennially restless separatists, of a swath of eastern Ukraine, which would give Moscow significant influence over Ukraine itself. Similar "frozen conflicts" already extend Russia's influence into countries such as Georgia, Moldova and Azerbaijan.

European Pressphoto Agency

The German chancellor with Belgian Premier Charles Michel, left, and France's François Hollande, right, on Thursday.

Merkel Moves to Intervene In Greek Rift With Creditors

Continued from first page

Russian-backed separatist war in Ukraine. But Mr. Schäuble and other eurozone finance officials are struggling to collaborate with their Greek counterparts amid rising animosity and mutual mistrust.

President Barack Obama and other world leaders have lobbied Berlin to lead the search for a compromise on Greece, expressing concern that Greek bankruptcy and an exit from the euro could divide and destabilize the EU just as Europe's post-Cold War order faces a serious challenge from Russia.

"I'm very aware that the world is watching us, how we in the eurozone deal with problems and crises in individual members states," Ms. Merkel told Germany's lower house of parliament, the Bundestag, on Thursday. Restating her mantra since the eurozone debt crisis erupted in 2010, she said: "If the euro fails, then Europe fails...the euro is far more than a currency."

She is expected to press Mr. Tsipras at their Brussels and Berlin encounters to accept that Greece's only hope of securing the financing it needs to avoid default is to cooperate with eurozone finance ministers and technocrats from the EU and the International Monetary Fund. Arriving in Brussels on Thursday, she played down the chances of an imminent deal, telling reporters: "Don't expect a breakthrough."

The latest Greek crisis is rapidly boiling down to whether a compromise is possible between the two key protagonists, European officials and analysts say: Ms. Merkel and Mr. Tsipras.

Ms. Merkel continues to see a Greek euro exit as deeply undesirable, people familiar with her thinking say. It would render the eurozone chronically fragile by proving that membership isn't permanent, inviting future financial speculation against other struggling members. It could also turn Greece into a loose cannon within the EU and NATO, complicating the West's efforts to deal with geopolitical challenges, from Russia to the Middle East, these people say.

But Ms. Merkel also believes she can only sell rescue loans for Greece to skeptical German lawmakers and voters if Athens, in return, shakes up its economy to become more viable inside the euro.

Mr. Tsipras, however, would have great difficulty getting his party to swallow the kind of economic policies that creditors want. Trying to pass laws that meet the IMF's demands for further labor-market deregulation, pension cuts or privatizations would probably split his leftist Syriza party, insiders say.

The young Greek premier is instead pinning his hopes on persuading Ms. Merkel that she has to make a fundamentally political choice: Does she want to keep Europe intact or not? If so, then she must grant Greece a financial lifeline together with looser budget reins and an end to IMF-style measures, he has argued.

'I'm very aware that the world is watching us,' Ms. Merkel said Thursday.

Since his accession to power, Mr. Tsipras has tried to take the dispute to the highest political level, bypassing the Eurogroup—the forum of eurozone finance ministers—where Greece is under pressure to provide specifics on its parlous finances and economic policy plans.

Some other EU leaders are worried that, by engaging Mr. Tsipras directly, Ms. Merkel may encourage Athens to believe it doesn't have to cooperate with the Eurogroup or the IMF.

Ms. Merkel was careful to insist on Thursday that her talks with the Greek leader aren't a substitute for cooperation at the technocratic level.

Greece is struggling to scrape together enough cash to service its debts to the IMF and other creditors in coming weeks. The country needs billions of euros in rescue loans to meet heavy bond repayments owed to the European Central Bank in July and August. Failure to repay those debts would lead the ECB to cut off funding for Greece's banks, forcing the country to surrender to creditors' demands or return to a national currency, the drachma.

Under Greece's bailout program, the eurozone and IMF has doled out cheap loans since 2010 in return for economic overhauls in Greece. But the tough medicine—including cumulative austerity measures that represent around 30% of Greece's annual economic output, according to EU figures—have contributed to the Greek economy shrinking by a quarter, leaving unemployment at around 26%. Most Greeks don't believe the creditors' medicine has made their economy healthier, as German officials insist.

Instead, exhausted Greeks elected Syriza to end the hated measures and the country's strict supervision by EU and IMF technocrats, which the public widely views as humiliating. The problem for Syriza and its leader Mr. Tsipras, however, is that Greece still needs EU-IMF financing to avoid a debt default.

A truce reached on Feb. 20—when Athens and its creditors agreed to continue the bailout and negotiate mutually acceptable economic policies for Greece, unlocking further financing—has frayed badly in recent weeks.

Eurozone officials this week accused Greece of refusing to share financial information or draw up convincing economic overhauls. Greece's government charges its creditors with trying to meddle unacceptably in its affairs, including by trying to halt legislation passed by the Parliament in Athens on Thursday to give free electricity and food coupons to poor Greeks.

"We are waiting for proposals [from the creditors] on how Greece can turn towards growth; we haven't heard any of those up to now," a senior Greek government official said ahead of Thursday's EU summit.

Syriza's often-confrontational tone has alienated much of Europe from Greece's demands for more lenient treatment, reducing the sympathy of many voters and policy makers for the economic hardship many Greeks have suffered since 2010. Opinion polls suggest a majority of German voters now support Greek exit from the euro—something a large majority of Greeks still reject.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Heavenly Show Ahead for Some

By Gautam Naik

Parts of Europe will be treated to three celestial events at once on Friday: a supermoon, a total eclipse of the sun, and the spring equinox, when night and day are of equal duration.

Solar eclipses are rare. The illusion of a supermoon can be witnessed several times a year, when the moon flies closest to the Earth and therefore appears larger than usual. The spring equinox occurs every year, and marks the beginning of spring in the northern hemisphere.

But the concurrence of all three events is extremely unusual, and has excited skywatchers.

"These are rare events and therefore memorable," said Radmila Topalovic, an astronomer at the Royal Observatory Greenwich, England, which will aim a dozen specially modified telescopes at the sky on Friday so people can view the two-hour eclipse. "Despite all the planning it's going to be a humbling experience."

A solar eclipse occurs when the moon completely blocks the view from Earth of the sun's disk, turning day into night. Though total solar eclipses occur somewhere on Earth every 18 months on average, they recur at any given place just once every 360 to 410 years. The moon is 400 times smaller than the sun but 400 times closer, so it appears the same size in the sky and virtually covers all of the sun during a solar eclipse.

During a total eclipse, the cone-shaped shadow of the moon becomes narrower as it extends toward Earth. The path of "totality" is typically 10,000 miles (16,000 kilometers) long but only about 100 miles wide.

On Friday, people living in parts of the Arctic and the far north of Europe will witness the eclipse in its totality, while most of Europe and parts of northern Africa will see a partial eclipse. In parts of Britain, the moon will blot out 85% of the sun and cast an eerie light during the morning rush hour and school run. Skywatchers in the U.S. will see nothing, but will get a view of one on Aug. 21, 2017.

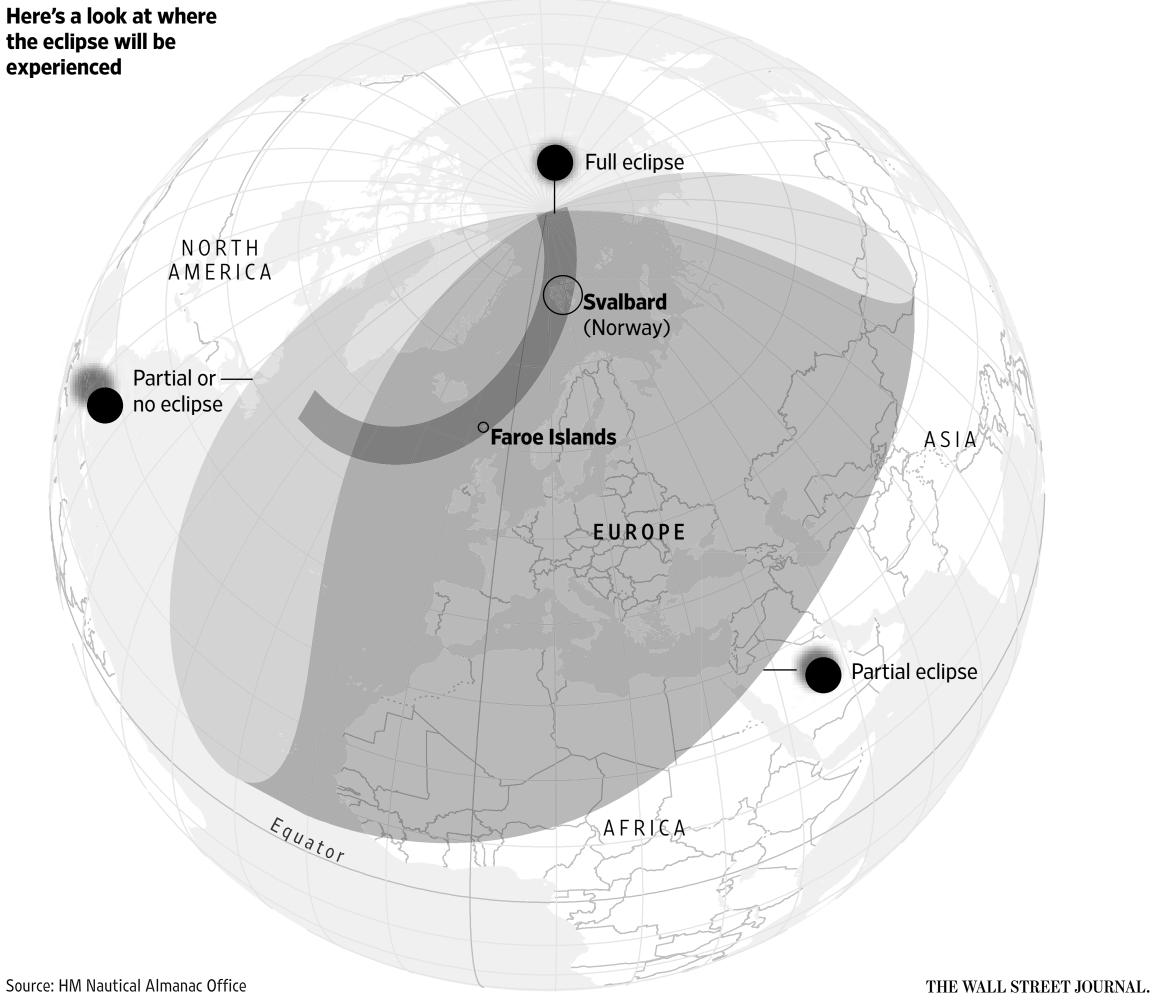
A supermoon, by contrast, is an illusion. Because of the moon's oval orbit, a full moon appears to vary in size when it is viewed from Earth. The moon follows an elliptical route around Earth such that one side, or perigee, is roughly 50,000 kilometers closer than the other. A supermoon occurs on the perigee side of the moon's orbit.

Because it is so close, a supermoon can seem unusually big and bright. They are especially dramatic just above the horizon.

Friday's supermoon could affect how some viewers witness the eclipse, such as those in the Faeroe Islands who are in the path of totality. Because the moon will be closest to Earth that day, Faeroe Islanders will witness slightly more of the sun's face covered up when compared with what they would see during a regular, total solar eclipse.

Celestial Trifecta

The Earth on Friday will experience a full solar eclipse, supermoon and spring equinox all at the same time.



Source: HM Nautical Almanac Office

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Zuma Press

Tourists in the Faeroe Islands, a prime vantage point, prepare on Thursday.

Banks Show Increased Demand for ECB Loans

By Brian Blackstone

FRANKFURT—The eurozone economy is gaining steam and spurring bank demand for new loans, according to reports from the **European Central Bank**, raising hopes that its stimulus measures are finally taking hold in a region that has been one of the global economy's weakest spots for several years.

The ECB said on Thursday that banks borrowed €97.8 billion ($106.2 billion) in four-year loans from the central bank in the third installment of a program begun last year to spur new credit to the private sector. Analysts at RBC Capital Markets had expected banks to take up €50 billion to €60 billion. In the first two tranches conducted last year, banks borrowed around €212 billion.

The operation on Thursday was the first to include a new sweetener: In January the ECB said that it would remove a 0.1-percentage-point surcharge on the loans, meaning that the latest batch carried an interest rate of just 0.05%.

"I take this as a welcome sign," said James Ashley, an economist at RBC Capital Markets, referring to the demand for four-year loans. "The fact that banks feel sufficiently confident to take this funding suggests they have firmer plans to extend this to the real economy than they did three or six months ago."

A separate report from the ECB on Thursday also heralded an improved outlook for the 19-member eurozone. The bloc is the world's second-biggest economic region behind the U.S., but its growth has lagged well behind other developed economies such as the U.S. and U.K.

"Growth in activity is expected to increase on account of the recent improvements in business and consumer confidence, the sharp fall in oil prices, the weakening of the effective exchange rate of the euro and the impact of the ECB's recent monetary policy measures," the ECB said in its economic bulletin.

Near-Total Eclipse to Strain Europe's Solar Sector

By Liam Moloney And Kjetil Malkenes Hovland

ROME—In ancient times, an eclipse was sometimes viewed as a sign of a coming doomsday. On Friday, when much of Europe experiences a near-total one, its huge solar sector will face its first major challenge.

The solar eclipse will provide an acid test for a continent that has placed a big bet on renewable energy—but whose aging electricity grids could buckle under the strain of a sudden drop in solar power.

"Given the growth of renewables across Europe in recent years, this will require an unprecedented amount of careful balancing of supply and demand across the grid," said Valentin de Miguel of consulting firm Accenture.

Starting Friday morning, the sun will disappear over much of Europe, with some northern countries experiencing as much as an 80% reduction of sunlight.

The partial disappearance of the sun Friday will place a huge strain on Europe's energy system. Normally, when the sun goes down, it takes about an hour for the light to fade. That gives time for electricity grids to substitute the power flowing from solar panels with electricity generated from traditional sources such as coal and natural gas.

An eclipse blocks the sun in just a few minutes, though, leading to a potential sudden drop of up to 35,000 megawatts of generation capacity. That is the equivalent of about 20 large coal-fired power plants coming off the grid at the same time. Conventional electricity suppliers will have to seamlessly substitute power to prevent blackouts, and then they must shut down capacity as solar power rebounds.

A break in the switch from solar to conventional power sources could "result in a cascade of electricity blackouts, similar to when a tree falls on a local power line but across the country," said Alessandro Abate, a professor at Oxford University's Department of Computer Science, who is studying Friday's eclipse.

Since the last solar eclipse occurred over Europe in 1999, the region's energy supply has radically changed. Europe has made a major push into renewable energy, with the share of electricity coming from such sources rising to about 20% by 2012 from 12% in 2002, according to Eurostat.

Solar panels provide roughly 3% of Europe's electricity supply, from nearly zero a decade ago. In Germany and Italy, rich incentives gave rise to two of the biggest solar markets in the world. Last year, solar energy made up about 8% of all electricity in Italy and 7% in Germany. Even the Vatican boasts solar panels.

As recently as five years ago, there was "no idea that Europe would have been so full of photovoltaic panels at that time," said Francesco Starace, CEO of Italian utility Enel SpA on Thursday.

But the addition of so many intermittent power sources, including wind, has raised concerns about the potential instability of electricity grids that were built to distribute power from huge, central power plants with relatively stable output.

"The grids were built decades ago when there was really no renewables, especially solar," Mr. Abate said.

For months, teams at grid operators across Europe have been planning for the event, boosting reserves and ordering backup energy, mainly from traditional electricity plants running on coal and gas.

In Italy, which will experience a 60% eclipse, electricity grid Terna SpA is playing it safe by shutting down almost 25% of its solar capacity Friday morning. It is also setting aside reserves generated from gas and hydropower equal to as much as 10% above the usual power-consumption level.

"We are making sure nothing is left to chance," says Antonio Carraro, Terna's national dispatching director.

The eclipse could also expose any weaknesses within the pan-European grid that is meant to shift power among 30 countries, which is crucial to evening out imbalances and guarding against blackouts.

At Entso-e, Europe's network of transmission system operators, staff have been working on plans for months. "The preparation has been good. So we're confident, but you never know what will happen," said Konstantin Staschus, secretary-general of Entso-e.

"This just shows that countries need an energy mix of conventional fossil fuel as well renewables," said Raffaele Chiulli, president of Rome-based energy think tank SAFE. "They complement each other."

U.S. NEWS

Low Inflation Argues for Fed Patience

[Capital Account]

By Greg Ip

The U.S. economy will be better-positioned for the next recession if interest rates are higher when the downturn starts. Paradoxically, the best way to achieve that may be to keep rates lower now.

The case for the Federal Reserve to begin lifting rates from zero looks solid. The economy has been growing steadily, if unspectacularly, for nearly six years. Unemployment has fallen to 5.5%, into the range that many economists consider "full employment."

The spoiler is inflation, which was minus 0.2% in January. Excluding food and energy, using the Fed's preferred price index of personal consumption, the annual inflation rate was 1.3%.

That's well below the Fed's 2% target. Inflation this low is worrisome, not for today, but for the not-too-distant future. Which is why the Fed has to tread carefully as it moves to return rates to normal.

For now, given the economy's underlying health, the prospect that low inflation becomes damaging deflation—with wages and prices chasing each other down—is remote.

But if low inflation becomes entrenched, the U.S. could enter the next recession with interest rates still uncomfortably close to zero, leaving the central bank with too little ammunition to fight back. That could worsen the downturn and result in the sort of stagnation Japan has tried to escape for more than two decades.

How does low inflation hamstring the Fed? The central bank influences spending via the real interest rate—the nominal interest rate minus inflation. Historically, a real interest rate of 2% over time kept the economy close to full strength without stoking price pressures. That means inflation of 2% meant the Fed's target federal-funds rate would average 4%. That gave the Fed four percentage points of interest-rate ammunition to respond to shocks. It could, if needed, get real rates down to minus 2% by cutting the fed-funds rate down to zero.

If inflation, on the other hand, is only 1.5% and real rates still average 2%, that gives the Fed just 3.5 points of conventional ammunition and a minimum real rate of minus 1.5%. Moreover, the real rate needed to keep the economy at full employment is now probably lower than 2%, which would leave the Fed with even less conventional rate ammo.

If financial markets are to be believed, this scenario is all too plausible. Inflation-indexed bonds are priced for inflation of just 1.25% in five years' time, and futures markets are priced for short-term rates then to still be around 3%. At that point, the expansion would be 11 years old and overdue for a recession.

Of course, recessions are usually caused by the Fed jacking rates up sharply to snuff out excessive price pressure; that seems unlikely if inflation stays stuck where it is now. Fed Chairwoman Janet Yellen has said that rates will start to rise only once the Fed is reasonably confident inflation is headed back to the 2% target.

There are good reasons to think it is. Much of the recent drop reflects falling oil prices and the dollar's 14% climb against a basket of other currencies since last June, which makes imports cheaper. Unless oil keeps falling and the dollar keeps rising at that pace, those effects will fade and inflation will bounce back. Meanwhile, as unemployment drops further, wages should finally accelerate, boosting both consumer spending and businesses' costs. Finally, unlike investors, households expect inflation to return to 2%.

Yet central banks around the world have been repeatedly surprised at the persistence of low inflation. In early 2012, Fed officials made 2% their official target and predicted core inflation by the fourth quarter of 2014 would be around 1.8%. It came in at 1.4%.

In late 2013, the European Central Bank staff projected inflation of 1.3% this year. It's now minus 0.3%, and core inflation is just 0.7%. Two years ago, the Bank of Japan's new governor committed to pushing inflation, then running negative, to 2% in two years' time. It has, after a brief surge, slipped back close to zero (excluding the effects of a consumption tax and energy).

Exactly why low inflation is so persistent is a bit of a puzzle. It may reflect slumping commodity prices or workers' weakened ability to win higher wages. Either way, it suggests the Fed should be cautious about assuming inflation will return of its own accord to 2%.

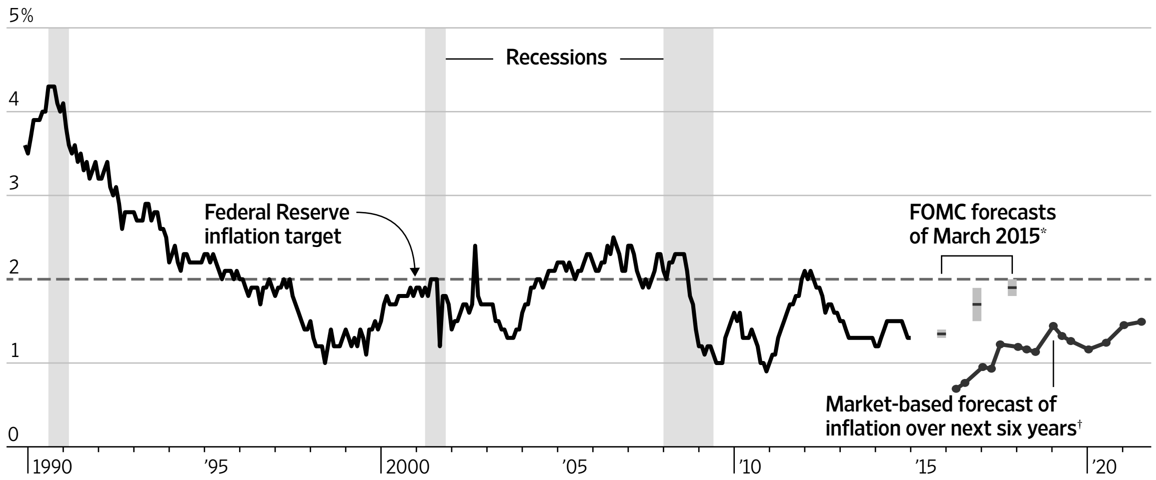
One way of ensuring that it in fact does return to 2% is to allow unemployment to fall below levels once thought of as "full employment," that is, below 5%. If past relationships hold, that should generate stronger wages and consumer spending, and thus higher inflation.

That doesn't necessarily mean delaying the start of rate rises. As Lewis Alexander of Nomura Securities notes, the trajectory of rates after liftoff is more important than the date of liftoff, and given the headwinds the dollar has posed for growth and inflation, the Fed can be much slower to raise rates back to normal than its officials' projections suggest. This may be the best way to ensure rates need never be at zero for so long again.

Undershooting

Core inflation has been consistently below the Fed target of 2% since May 2012, and the markets expect it to stay below target for the foreseeable future. The Fed is a bit more optimistic.

Change from a year earlier in the U.S. price index for personal-consumption expenditures excluding food and energy



*Middle range of forecasts for the annual change in the fourth quarter of each year †Adjusted to PCE index from the consumer-price index

Sources: Federal Reserve Bank of St. Louis (PCE); Barclays (inflation expectations)

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Key Jobless-Claims Gauge Falls, Belying Slack in Labor Market

By Eric Morath

A historically low share of unemployed Americans is tapping unemployment benefits, a development that on its face seems good but one that may be masking the degree of slack in the labor market.

About 2.4 million Americans were receiving continuing state unemployment-insurance payments in the week ended March 7, the Labor Department said Thursday. The reading, which is seasonally adjusted, is down 450,000 from a year earlier and hovering near levels last consistently recorded almost a decade ago.

At that point, in May 2006, 36% of unemployed Americans received jobless benefits. At the end of last year, just 27% did—the lowest level on record back to the 1970s, according to an analysis of Labor Department data by the nonprofit National Employment Law Project, which advocates on behalf of unemployed Americans.

The drop suggests that even in an improving labor market—with the number of unemployed at the lowest level since the recession ended—an unusually large number of Americans are stuck in a rut of long-term unemployment that could derail their prospects to find new work.

"We've seen millions of Americans who want to work become discouraged and drop out of the labor force," said Claire McKenna, policy analyst at the National Employment Law Project.

Indeed, many Americans have slipped off benefit rolls and stopped looking for work. As a result, they may be missing from key gauges of joblessness. That hole has drawn concern from Federal Reserve officials and other policy makers, given the longer-term risks to the U.S. economy. People who are unemployed and without benefits are increasingly likely to drop from the labor force entirely, research has shown, converting a potentially productive worker into one with limited capacity to contribute to economic output.

Americans are typically eligible for jobless benefits if they are laid off while working in a position covered by unemployment insurance. The length of benefits varies by state, but most offer 26 weeks of aid. People receiving benefits must continue looking for work, and as a result they count as officially unemployed.

The debate over jobless benefits is returning to a handful of state legislatures, where some Republicans are arguing that limiting payments to the unemployed encourages people to accept new positions more quickly.

"Some workers will pass up a job opportunity when they know the checks will keep coming," said Missouri State Rep. Scott Fitzpatrick, a Republican who recently introduced a measure to cut benefits to as little as 13 weeks, half the time in most states. "Those that want to stay in the labor force will probably look harder" when benefits expire.

The bill passed the state House and is being considered in the Senate. Missouri previously cut maximum benefits to 20 weeks.

Seven other states also acted in recent years to cut the length of benefits. Many of the states were following lawmakers in Washington who ended an emergency federal program to extend unemployment-benefit payments for as many as 99 weeks.

At the peak in 2010, just after the recession ended, 68% of unemployed Americans received benefits. That amounted to 12 million people. The figure fell steadily since, including dropping by more than one million when the federal extensions expired in December 2013.

Research has shown that after benefits were cut off, a larger share of the long-term unemployed dropped out of the labor force.

Of unemployment beneficiaries who were out of work for all of 2013, almost 44% had dropped out of the labor force by March 2014, said Stephen Woodbury, a labor economist at Michigan State University. For those out of work for all of 2009, just 27% had dropped out by March 2010, when the total number of benefit recipients was near its peak.

Among those losing benefits was Sherri Smith-Patton. She relied on benefits to support herself after she lost her job as a hospital technician in early 2013. Without government aid, the 48-year-old failed to make payments on her Ford Taurus, losing the car and damaging her credit. She then moved in with her elderly parents in Madison Heights, Mich.

Ms. Smith-Patton said she has since been rejected from entry-level jobs at retailers because she has poor credit and lacks reliable transportation. She i still hoping to find work, she said. But if she isn't actively applying for jobs, the government may categorize her as a discouraged worker outside of the labor force. "If I had benefits," she said, "my credit wouldn't be so screwed up and I'd probably be working."

Associated Press

Fewer people are regularly seeking jobless benefits. Here, a job fair in Michigan.

Israeli Leader Reverses Stand On Palestinians

By Nicholas Casey

TEL AVIV—Israeli Prime Minister Benjamin Netanyahu flip-flopped for the second time in a week on his support for a Palestinian homeland, backtracking Thursday on a pledge three days earlier to block creation of a separate state.

In the final hours before Tuesday's closely contested parliament election, Mr. Netanyahu said he was in danger of losing and made a hard shift to the right—abruptly reversing his support for two states. The U.S. responded on Wednesday by upending decades of American policy when it left open the possibility that it might no longer use its veto to shield Israel in the United Nations.

Mr. Netanyahu said in interviews on Thursday that he believed a Palestinian state could exist if it were demilitarized and recognized Israel as a Jewish state. But he said he couldn't support such a state now because of the possibility that the extremist group Islamic State or militant movements backed by Iran would gain a foothold there.

"I want a sustainable, peaceful two-state solution. But for that, circumstances have to change," he told MSNBC. He added that he didn't want a "one-state solution" in which Israel would retain control of Palestinian territories.

The White House said nothing in Mr. Netanyahu's latest comments changes its decision to rethink the U.S. approach on how to resolve the Israeli-Palestinian conflict.

In the waning hours of his campaign on Monday, Mr. Netanyahu was trailing his center-left challenger in the polls when he was asked by an Israeli online news site to confirm that a Palestinian state wouldn't be set up while he was prime minister. He replied: "Indeed." His victory on Tuesday was aided by strong support from Israeli settlers and nationalists who oppose a Palestinian state.

Mr. Netanyahu reluctantly endorsed a two-state solution to the conflict with Palestinians in 2009, shortly after becoming prime minister. But the stance was unpopular among his conservative base.

The Israeli leader claimed in an interview with Fox News that he "didn't retract any of the things I said in my speech six years ago." Rather, he said, the conditions to set up such a state are just not achievable today.

"I said we have to change the terms. Because right now, we have to get the Palestinians to go back to the negotiating table, break their pact with Hamas, and accept the idea of a Jewish state," he added.

Before peace talks were suspended about a year ago, Israel had negotiated with the moderate Palestinian Authority, which administers one of two Palestinian territories, the West Bank. The Islamist Hamas rules the other one, Gaza, and Israel fought a 50-day war with the group in the summer.

The White House said it now sees no chance for restarting peace talks while Messrs. Obama and Netanyahu remain in office and voiced concern about "divisive rhetoric" during the campaign.

Agence France-Presse/Getty Images

Prime Minister Benjamin Netanyahu speaks Wednesday in Jerusalem following his victory in Israel's election.

On election day, Mr. Netanyahu tried to win votes by warning that Arab citizens of Israel were turning out in large numbers at polling stations with the aim of toppling him. He also said United List, the party representing Israeli-Arabs, was extremist. Arab Israelis called his comments racist.

In response to Mr. Netanyahu's latest comments, White House press secretary Josh Earnest said his statements on Monday have prompted the U.S. to re-evaluate its policy on the Middle East peace process, and that nothing the Israeli leader said Thursday changes that.

"The United States needs to rethink our approach," Mr. Earnest said. Mr. Netanyahu's comments Monday "eroded" the foundation for the parties to achieve a peace deal, he added.

"Steps the United States has taken at the United Nations has been predicated on this idea of a two-state outcome," Mr. Earnest said. Now that Mr. Netanyahu has stated he isn't committed to that principle, the U.S. will reconsider those steps in the future, he said.

In the MSNBC interview, Mr. Netanyahu played down the dispute with the White House, saying there were disagreements but the two countries had common interests.

"And America has no greater ally than Israel and Israel has no greater ally than the United States," he said.

Yehuda Ben-Meir, a former politician and analyst at the Institute for National Security Studies, a think tank, said he wasn't surprised Mr. Netanyahu reversed himself.

"Now [Mr. Netanyahu] realizes he has to run the country and has to have good relations with the U.S.," said Mr. Ben-Meir.

Wasel Abu Yousef, a senior member of the Palestine Liberation Organization, said: "Netanyahu lies when he wants and changes his mind when he chooses to do so....His government from the right will continue to wage war against the Palestinians and will not act in any way toward peace."

Before the interviews, Palestinian Authority President Mahmoud Abbas said Thursday that he was extremely worried about the election results and believed a two-state solution was no longer possible under Mr. Netanyahu.

"If what Netanyahu said is true, then the whole project of the two-state solution isn't feasible—it is impossible," Mr. Abbas said. "We are extremely worried about the result of the Israeli election."

On Wednesday, the Central Elections Committee said Mr. Netanyahu's Likud party won 30 of 120 seats in parliament to 24 for his main challenger, the center-left Zionist Union. Five nationalist and religious parties, including the center-right Kulanu party, won a total of 47 seats and are expected to join a governing coalition with Likud.

Yemeni Troops Wrest Aden's Airport From Rebels

By Hakim Almasmari
And Asa Fitch

SAN'A, Yemen—Yemeni special forces loyal to former President Ali Abdullah Saleh clashed Thursday with government troops at Aden's international airport, resulting in 13 deaths and 21 injuries, local officials said.

The clashes began in the morning, when the special forces loyal to Mr. Saleh took over roads leading to the airport, they said.

Yemeni President Abed Rabbo Mansour Hadi, who has been based in Aden since fleeing to the southern port city from house arrest last month in the capital, San'a, responded by sending in his own forces to secure the facility, leading to the fighting.

By the afternoon, Mr. Hadi's forces, backed by a column of tanks, had expelled the special forces, according to a military commander close to Mr. Hadi. Flights to and from the airport had also resumed, according to airport officials.

The fighting was some of the fiercest in southern Yemen since Mr. Hadi fled there. It also represented an intensification of efforts to challenge the president by southern loyalists of the former president, who has aligned himself with the Houthis now controlling San'a.

Mr. Hadi has the loyalty of most security forces in Aden, but pockets of support for Mr. Saleh exist. The special-forces unit that attacked the airport was led by Brig. Gen. Abdul Hafez Al Saqqaf, a Saleh loyalist whom Mr. Hadi had ordered replaced about two weeks ago. Mr. Saqqaf defied the order and refused to step down.

In a further ramping-up of pressure on Mr. Hadi, warplanes appearing to belong to the Houthi-controlled Yemeni air force hit two targets inside the compound in Aden where Mr. Hadi is based, according to two local officials. The officials said the aircraft came from the Al Anad air base 50 miles from Aden.

A senior aide to Mr. Hadi said the president had fled the palace compound to an undisclosed location.

Yemen has been in a state of political and security turmoil since last September, when Houthi militants stormed San'a and demanded a greater share of power.

The Houthis, a group that is part of the Zaidi offshoot of Shiite Islam, are estimated to make up about 30% of Yemen's population. Their power base is in the north of the country, but their militants have spread increasingly southward in recent months.

After United Nations-brokered power-sharing talks faltered, the Houthis unilaterally took control of Yemen's government last month and kept Mr. Hadi under house arrest in San'a.

The president escaped two weeks later, however, and made his way to Aden in the south. He has since been rallying support for a comeback.

The deteriorating security situation led at least a dozen countries, including the U.S., Saudi Arabia and Turkey, to close their embassies and evacuate staff.

Agence France-Presse/Getty Images

Militiamen loyal to President Abed Rabbo Mansour Hadi stand guard Thursday.

The situation is of concern to the U.S. because of Washington's long-running counterterrorism cooperation with Mr. Hadi against al Qaeda in the Arabian Peninsula, the potent Yemeni al Qaeda offshoot.

Amid the growing uncertainty, Mr. Saleh—a northerner—has allied himself with the Houthis. The special-forces unit that clashed with Mr. Hadi's forces on Thursday comprised mainly troops from the north who have never been loyal to Mr. Hadi.

Ahmed Al Bahri, a senior Houthi official in San'a, said the Houthis would fight anyone in Yemen who challenged their new political setup. Mr. Hadi recently called for political talks to take place in Riyadh in Saudi Arabia, his key regional ally, but Mr. Bahri said efforts at a diplomatic resolution haven't so far been successful.

"Hadi seeks bloodshed in Aden and to divide the country," Mr. Bahri said. "We have given dialogue enough time to succeed, but the results have been negative. We will use force if needed to unite the country's forces once again."

On Thursday, the special forces that attacked Aden's airport were given a deadline of 12 p.m. local time to withdraw, according to a military commander close to Mr. Hadi. When they didn't comply, Mr. Hadi's forces intervened with tanks and the special forces withdrew, he said.

He alleged that the Houthis were sending militants to Aden as reinforcements.

"Houthi militants and the ex-president are reinforcing the rebel troops, trying to weaken President Hadi, but we will stand as a brick wall in front of the Houthi militants and any side that tries to destabilize Aden," the military commander close to Mr. Hadi said.

Three Houthi officials denied that any reinforcements were being dispatched to the southern port.

WORLD NEWS

Islamic State Claims Tunis Attack

Islamic State claimed responsibility for the deadly attack on a museum in Tunisia's capital and warned of more bloodshed to come, a development that extends the extremist group's reach to one of the region's few stalwarts of stability.

*By **Tamer El-Ghobashy** in Cairo and **Radhouane Addala** in Tunis, Tunisia*

Agence France-Presse/Getty Images

A Tunisian security officer stood guard as journalists gathered at the National Bardo Museum in Tunis on Thursday.

Thursday's claim, which couldn't be independently verified, came hours after the president of the North African nation said he was deploying the military to protect the country's largest cities, cementing worries among reformers that security fears would derail Tunisia's democratic transition.

The move by the president, who was elected in December on a platform of keeping an insurgency on the country's borders from spreading, also demonstrated the radical group's ability to have a significant impact on the politics of a nation where it doesn't have a large footprint.

Wednesday's attack on the Bardo National Museum in the Tunisian capital left 21 people dead, including 18 foreign tourists. The extremist group said the attack was aimed at "citizens of Crusader countries" and added that it was the "first drop of rain."

The statement took an apparent swipe at Tunisia's traditional secularism, saying it had been portrayed by its leadership to Westerners "to be a hotbed for their disbelief and debauchery."

Islamic State's claim of responsibility for the assault was made in a statement disseminated by the group's media arm and monitored by the SITE Intelligence Group, a U.S. based organization that tracks jihadist social media.

The statement named Abu Zakaria al-Tunisi and Abu Anas al-Tunisi as the leaders of the operation and hailed them as martyrs.

The names appear to be aliases for Hatem Khachnaou and Yassine Labidi, who were identified by Tunisian security officials as the two gunmen killed when government security forces retook control of the museum.

In a news conference, Prime Minister Habib Essid said Mr. Labidi has been known to intelligence services but neither man appeared to have any connection to known terrorist organizations in the country.

Tunisia's health ministry on Thursday revised the toll of victims in the museum siege to 21 from 20. The total included 18 foreign tourists, a police officer, a museum employee and a third Tunisian who wasn't identified.

British Foreign Secretary Philip Hammond on Thursday identified one of the tourists killed in the assault as Sally Adey, a British citizen. Mr. Hammond also condemned the attack, which occurred in a nation that has until now been largely free of the violence that has rocked other countries swept by Arab Spring upheaval.

"The Tunisian people are rightly proud of their democratic transition. Cowardly attacks, such as the one we saw yesterday, must not be allowed to undermine what they have achieved," he said.

Spain, which counted two elderly people among the victims, said two of its citizens were discovered Thursday morning after hiding inside the museum overnight.

Cristina Rubio and Juan Carlos Sanchez apparently found a hiding place in the museum during the attack, and weren't discovered until police came upon them Thursday morning, Spanish Foreign Minister José Manuel García-Margallo said at a news conference. Ms. Rubio is four months pregnant and the couple had been married this month, government officials and Spanish news reports said. "I never thought they were hidden," Mr. García-Margallo said. "We looked for them in the morgue and in the hospitals."

In announcing that he was bolstering security in Tunisia's main cities, President Beji Caid Essebsi cited exceptional circumstances and said the measure was aimed at stemming a terrorist threat that had moved from the country's "mountains to the cities"—an apparent reference to Mount Chaambi, an area where militants loyal to al Qaeda's North Africa branch have waged a battle with security forces.

The affiliate, which calls itself Uqba bin Nafi Battalion, praised the museum attack but stopped short of claiming responsibility in a statement posted on social media. It also promised similar attacks while mocking Tunisia's security apparatus for being unable to link them to Wednesday's massacre.

Mr. Essebsi said nine people had been arrested in connection with Wednesday's assault. He said four of those detained were directly involved in the attack, in which gunmen—some wearing Tunisian military uniforms—stormed the museum after failing to launch an assault on the nearby national assembly where lawmakers were debating an antiterrorism bill.

The bill, the details of which haven't been publicly revealed, has taken on a new urgency.

"The atmosphere is tense and we need an urgent solution," said Alaya Allani, an expert on North African Islamist movements at Monouba University of Tunisia. "The terrorism law...should give more power to the security body."

The proposed legislation, in addition to a recent robust antiterrorism campaign waged by the interior ministry, has raised fears among reformer politicians and rights groups that Tunisia will sideline democratic progress in favor of policies that underpinned two consecutive autocratic regimes that ruled Tunisia since its independence in 1956.

"There is a strong popular endorsement for harsh antiterrorism measures and we don't know the measures they will put in place are," said Amna Guellali, Tunisia director for Human Rights Watch. "This equation between security and freedom is obviously something that will be shaken by this attack. We will see a more draconian crackdown" on Islamist groups.

Ms. Guellali said her group has recorded hundreds of cases in which Islamists—both moderates and those who have espoused extremist views—have been arrested by authorities but are yet to stand trial despite years of detention in some cases.

She said the crackdown has intensified since the election of Mr. Essebsi, a vocal opponent of political Islam. He was swept into power on a campaign that largely portrayed violent Islamists with moderate political groups that advocated Islamic jurisprudence as the foundation of governance.

—Maria Abi-Habib in Beirut contributed to this article.

Cruise Operators Divert Ships Away After Massacre

LONDON—Global cruise operator Costa Crociere SpA said it is diverting ships away from Tunisia, after at least 12 passengers traveling on two ships were among those killed in Wednesday's attack on a museum in the capital Tunis.

The operator's ship Costa Fascinosa, as well as the MSC Splendida, carrying a combined 6,875 passengers, were anchored at Tunis's La Goulette port at the time of the attack, which left 21 people dead, including 18 foreign tourists.

Three passengers traveling aboard the Costa Fascinosa were killed, eight were injured and another two were missing, said the ship's operator, a unit of Miami-based **Carnival** Corp.

"The safety of guests and crew members is Costa's top priority. After what happened in Tunis on Wednesday, Costa Crociere is confirming that all upcoming calls in Tunis for the cruises of Costa Fortuna, Costa Favolosa, Costa neoRiviera will be substituted with alternative calls," the company said.

David Dingle, chairman of Carnival U.K., a Carnival Corp. unit that operates P&O Cruises and Cunard, said the two cruise lines had few calls scheduled for Tunisia.

"We are reviewing the situation. We need to understand more about the incident before reaching conclusions," he said.

Geneva-based **MSC Cruises**, a unit of Mediterranean Shipping Co., said nine passengers aboard its MSC Splendida liner were killed, 12 were injured and another six were still unaccounted for.

"As is the case every time the ship calls Tunis, a shore excursion offered MSC Cruises' guests the opportunity to visit the famous Bardo National Museum. During the visit at the museum, some of MSC Cruises' guests were caught in the middle of a terrorist attack along with guests from another cruise line," the company said, without giving any guidance on whether it will drop Tunis as a destination.

About 12% of Tunisia's gross domestic product relies on tourism, but arrivals dropped sharply after a popular uprising ousted former President Zine El Abidine Ben Ali in 2011.

Tourism recently had begun to recover, with an expected 24% increase in tourism income this year compared with 2010.

—Costas Paris

Iraq's Effort to Retake Tikrit From Militants Slows

By Matt Bradley

BAGHDAD—Iraqi security forces' fight to liberate the city of Tikrit from Islamic State has slowed as the battle nears the end of its third week, dimming hopes that the extremist Sunni insurgency is on the retreat.

Iraqi security officials say their force of more than 20,000 fighters—mostly Shiite militiamen—has succeeded in forcing Islamic State from towns and villages to the south and east of the city, which lies about 87 miles northwest of Baghdad.

But the militias and soldiers have been unable to uproot the militants from the city center, where a few hundred Islamic State insurgents have been holed up for the past week protected by land mines, suicide bombers and snipers.

The recent frustrations don't bode well for future battles. Tikrit is widely seen as a test of Iraq's ability to push the Sunni extremist group out of its de facto Iraqi capital of Mosul later in the year.

Iran-backed Shiite militia leaders had touted their early rapid advances around Tikrit as validation of Baghdad's decision to launch the Tikrit offensive without the benefit of U.S. airstrikes or help from Kurdish fighters.

In statements this week, Iraqi security officials struggled to explain the slowdown of the offensive.

Following a meeting with his commanders Wednesday evening, Prime Minister Haider al-Abadi said that the battle in Tikrit was going "according to schedule" and that progress had slowed as the military awaited reinforcements and took pains to avoid civilian casualties.

"The battle did not stop in the way that we're hearing in media; no, this is ridiculous," said Marwan Jbarra, head of the tribal council in the province of Salah al-Din, of which Tikrit is the capital. "All that happened is that the commanders are re-evaluating the situation there and examining how to break into the city with minimal casualties."

Mr. Jbarra estimated that there were 6,500 improvised explosive devices in downtown Tikrit, protecting a core of a few hundred fighters who remain holed up in ex-dictator Saddam Hussein's palaces.

Mr. Jbarra acknowledged that the battle had diminished to "sporadic clashes" rather than the continuous assault that characterized the first two weeks of fighting.

Such early successes form part of the problem, he said. Security forces advanced faster than expected, leaving them unprepared for the difficult final assault. The primary issue, said Mr. Jbarra, is the lack of sappers to defuse the thousands of improvised explosive devices, or IEDs, that Islamic State fighters left in their wake.

Islamic State surged through huge swaths of northwest Iraq in a sweeping offensive last June. Since then, the Sunni extremist group has targeted religious minorities such as Shiite Muslims, Christians and Yazidis, adherents of an ancient religion based in Iraq's northwestern mountains.

In a report published Thursday, the United Nations Human Rights Office urged the International Criminal Court to prosecute Islamic State on charges of committing genocide against the Yazidis. The report, which was based on interviews with more than 100 victims and witnesses, said Islamic State is thought to still be holding as many as 3,000 Yazidi women as sex slaves.

—Ghassan Adnan contributed to this article.

IN DEPTH

Bloomberg News

A Coke truck, above, is loaded with cargo at a bottling plant in Cyprus. In February 2014, Coke confirmed it had fallen short of its 3% to 4% annual volume growth target for the first time in nearly a decade.

Coke Chief's Solution For Lost Fizz: More Soda

By Mike Esterl

On a visit to a **Coca-Cola** Co. bottler in Pensacola, Fla., in January, Chief Executive Muhtar Kent pulled a small red paint chip from his wallet and held it up to a new delivery truck. The truck might have looked Coke red to the untrained eye, but it was ever so slightly off in hue.

That might not be a big deal to most people, but it is to Mr. Kent. Wherever he goes around the world—visiting bottlers, bodegas, grocery stores—he gets out that chip and compares it to bottles, cans, Coke machines. Management, he says, must continually "polish that diamond."

That is true especially now because the world may be growing tired of Coke.

In February last year, Coke confirmed it had fallen short of its 3% to 4% annual volume growth target for the first time in nearly a decade. Mr. Kent called it a "speed bump" and promised investors that 2014 would be "the year of execution."

By October the chairman and CEO acknowledged Coke would not only miss its revenue and profit targets in 2014, but also likely in 2015. Last month, Coke reported that its revenue slid 2% to $46 billion and profit fell 17% to $7.1 billion from the prior year.

Mr. Kent's risky strategy: Sell more soda. The 62-year-old CEO says he has a number of plans—such as increased marketing spending and an overhaul of the company's U.S. distribution network—that will help Coke return to high-single-digit earnings growth in 2016. "I believe we have a great runway ahead of us," says Mr. Kent.

But lately, the CEO's promises seem harder to keep.

U.S. Diet Coke consumption has plunged nearly 15% over the past two years. Coke's sales volumes from soda, including brands like Sprite and Fanta, grew just 1% in each of the last two years globally.

Last summer, 63% of Americans told a Gallup poll they were avoiding soda. In the U.S., the amount of soda drunk annually has been falling for 10 straight years. Coke sales are slowing or shrinking around the world. Whole Foods won't carry it.

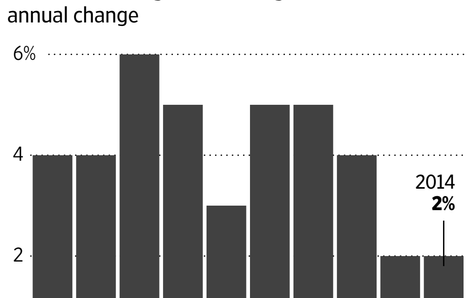
Despite such daunting statistics, Mr. Kent remains as cool as an ice-cold Coke. With soda generating roughly 70% of revenues, Mr. Kent insists it is still the company's "oxygen." The company, he believes, has "exactly the right ingredients" to grow rapidly—including a portfolio of 20 billion-dollar brands. Fourteen of them are still beverages, including Dasani water and Minute Maid orange juices.

"Sparkling beverages have always been a treat, and we have to rediscover that," Mr. Kent said in a recent interview. But whether Coke can hit the spot with new growth initiatives is unclear.

Many packaged goods companies that were beloved by baby boomers—from Campbell Soup Co. to General Mills Inc. to McDonald's Corp.—have lost their magic. Today's consumers want items that are healthier, tastier, more unique. And less mass market.

Falling Flat

Coca-Cola Co.'s global beverage volumes, annual change



Source: the company

THE WALL STREET JOURNAL.

Preferences are changing so quickly and profoundly that they've caused recent financial losses at Kellogg Co. and Kraft Foods Group Inc., and eroded sales or profits at a half dozen other big packaged food or drink giants. The slips cost the CEOs their jobs at Kraft and McDonald's—the latter being a key customer of Coke.

Such shifts put Mr. Kent in a tricky place, strategically speaking: to diversify how much, how rapidly? His counterpart over at PepsiCo Inc., Chairman and Chief Executive Indra Nooyi, tried to solve the riddle but came under fire from investors in 2011 after the company issued a profit warning. The year before, Diet Coke surpassed flagship Pepsi-Cola as the No. 2 selling U.S. soda brand. behind regular Coke. Wall Street analysts and investors said she was too focused on diversifying beyond sugary soda and salty chips.

Mr. Kent, by most accounts, is as seasoned an operating executive as any. The son of a Turkish diplomat, he started with Coke in 1978 riding red delivery trucks to stores in places like Lubbock, Texas. He became general manager for Central Asia, opened factories in the former Soviet Union and ran a major Coke bottler in Europe before assuming the role of chief executive in 2008.

As part of his stay-the-course strategy, Mr. Kent, among other things, has stepped up advertising.

Last year he said he'd earmarked at least an additional $1 billion through 2016 after spending $3.3 billion in 2013. He is betting on a new soda fountain, Freestyle, that allows consumers to mix and match more than 100 drink flavors with micro-dosing technology developed by the medical industry.

There are now 27,000 such machines at U.S. fast-food chains including Wendy's and Burger King, up 50% from a year ago.

These days, the CEO spends three-quar-

IN DEPTH

ters of his time on the road, meeting retailers, bottlers and heads of state. He says he gets "withdrawal symptoms" if he hasn't visited a store for a few days.

He is also deeply involved in the details of Coke's merchandising, like a micro-merchandising strategy called "Occasion, Brand, Price, Pack, Channel," or "OBPPC" for short, that matches the number of soda package sizes and types to 30 "drinking occasions"—from "gotta have it to go" to "family home meal."

In addition to its current lineup of soda sizes, cans and bottles, the company also plans to begin selling Coke products later this year via an in-home countertop-soda machine being developed by Keurig Green Mountain Inc.— Coke's latest attempt to put its cola within what it has long called an "arm's reach of desire."

Americans briefly bought more Coke last summer when the company splashed names ranging from Adam to Sarah to Zach on bottles and cans. The "Share a Coke" campaign galvanized consumers to buy Cokes for themselves as well as friends and family.

Sam Nunn, the lead independent director, says the board still views soda as a "very strong growth area" globally, and Mr. Kent as a "force of nature in terms of his leadership capabilities."

But several former senior executives and managers who have worked with Mr. Kent say that while he is comfortable navigating the nitty-gritty, he lacks big-picture vision—a charge the CEO denies.

"I have very, very robust intellectual and stimulating discussions about our structure, about our company, about our business, about where it's going," the CEO said in an interview.

After years of lobbying, executives finally convinced him to hold a senior management meeting in Silicon Valley—the idea being to brainstorm with folks from the likes of Google Inc. and Facebook. But the digital connection never happened. Mr. Kent canceled a few weeks shy of the meetings, saying that the Coke team needed to focus on quarterly results instead.

In an interview, Mr. Kent explained his logic. Coke needs to equip itself with the "right technology," he said. "But we can't, you know, go and dream in La-La land." Coke could accomplish the same goals more efficiently by getting Silicon Valley to come to Atlanta, he said.

Despite its dominance in beverages, the company—which recently stole market share away from rival PepsiCo—is causing some on Wall Street to lose patience. Investors have been flocking to PepsiCo, whose exposure to soda is hedged by snacks. In the last two years, Coke's share price has risen 4.7%, while PepsiCo has gained 23% and the Dow Jones Industrial Average and S&P 500 indexes have risen 25% and 35%, respectively.

"The big mistake is not realizing the world has changed," says John Faucher, a beverage analyst at J.P. Morgan.

Mr. Kent doesn't brook much debate or dissent. Several former executives say he has surrounded himself with "yes people" and damped debate. In meetings, Mr. Kent "can be really gruff, shut things down and make it awkward" if anyone questions plans, says a former executive.

Mr. Kent says he welcomes internal debate. "Every major decision, I say, 'Let's take it to the operating committee and discuss it.' "

When former Americas Chief Steve Cahillane argued that Coke's volume and profit targets were unrealistic at a senior management meeting in 2013, Mr. Kent quickly ended the discussion, according to people present at the meeting. Mr. Cahillane, considered a top candidate to succeed Mr. Kent, left under pressure a few weeks later.

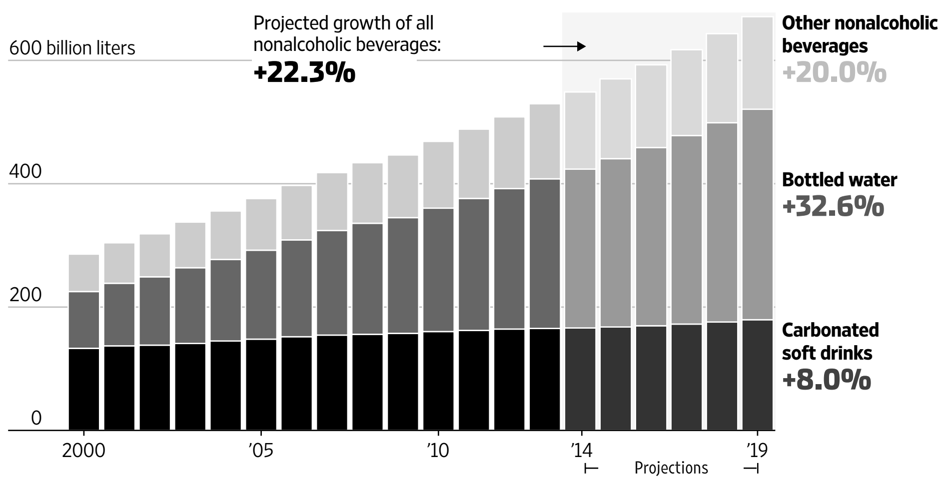
Sandy Douglas, a Coke veteran who replaced Mr. Cahillane, acknowledges "it's a full-contact sport to argue strategy" with Mr. Kent. Still, he says, "he gives you room."

Mr. Kent's operational zeal has caused concern and speculation inside and outside the company because he has no clear No. 2 or obvious successor.

In addition to the titles of chairman and CEO, he also serves as the company's de facto chief operating officer.

Tough to Swallow

While retail sales volumes of nonalcoholic beverages are predicted to increase globally between 2014 and 2019, soda is expected to lag behind other types of beverages.



Source: Euromonitor

THE WALL STREET JOURNAL.

The CEO says he has a number of plans that will help Coke return to high-single-digit earnings growth. But lately, his promises seem harder to keep.

Mr. Kent doesn't think it's an issue. He says he effectively has three chief operating officers, not one, in international head Ahmet Bozer, bottling head Irial Finan, and Mr. Douglas, the North American chief.

"I believe we have the right structure. I think of it as me having three COOs," says Mr. Kent.

While the company continues to diversify—most recently with a milk brand—soda remains front and center. Analysts like Mr. Faucher, as well as former top Coke executives, have argued that Coke should make more acquisitions to change its portfolio mix.

Efforts along those lines have been mixed. Under Mr. Kent's tenure as president and chief operating officer, he engineered Coke's most-expensive diversification move—the acquisition of Energy Brands Inc., maker of Glaceau Vitaminwater, for $4.1 billion in 2007. That deal was criticized after growth slowed and the purchase price deemed too pricey.

His more recent efforts to branch out from soda have been more cautious. Ignoring pressures to dive into the fast-growing energy drinks category, he waited until last August to strike a deal to buy a 16.7% stake in Monster Beverage Corp. By then, though, Monster's share price had roughly quintupled. Coke has also built up a 16% stake in Keurig in stages since last year.

In the case of Monster, say people familiar with the situation, Mr. Kent and Coke's board were also concerned about regulatory and marketing probes focused on energy drinks.

Coke's biggest-ever acquisition, the 2010 purchase of the bulk of the North American bottling and distribution operations in a $12 billion deal, was designed to get Coke moving again by improving manufacturing and distribution. It hasn't yet. Chief Financial Officer Kathy Waller has acknowledged Coke likely won't see a return on the investment in this decade.

Coke's board, a traditionally tightknit, conservative group, continues to support Mr. Kent's approach—and a robust dividend. Coke said last month it would increase its dividend by 8% a share in 2015, the 53rd straight annual increase. But the company's cash flow has been flat the last three years, raising questions about how much longer such generous payouts can continue.

Longtime board members have been retiring so that by the end of April, seven of its 15 members will have joined since 2011. One of the newest, and the youngest, is Robert Kotick, the 52-year-old CEO of videogame maker Activision Blizzard Inc.

Replacing the board's old guard with younger directors could inject greater uncertainty into Coke's stay-the-course strategy.

Indeed, Coke is the subject of recurring rumors that it's a possible takeover target of Brazilian investment firm 3G Capital Partners LP, whose founders are controlling shareholders in brewer Anheuser-Busch InBev NV. Spokesmen for 3G and Coke declined to comment.

After H.J. Heinz Co. was acquired in 2013 by 3G and Warren Buffett's Berkshire Hathaway Inc., Coke's largest shareholder, Mr. Kent circulated an article among top executives. The subject: cost-cutting and firings at the food company.

"If we don't do what we need to do quickly, effectively, execute 100%," Mr. Kent says he told his executives at the time, "then somebody else will come and do it for us."

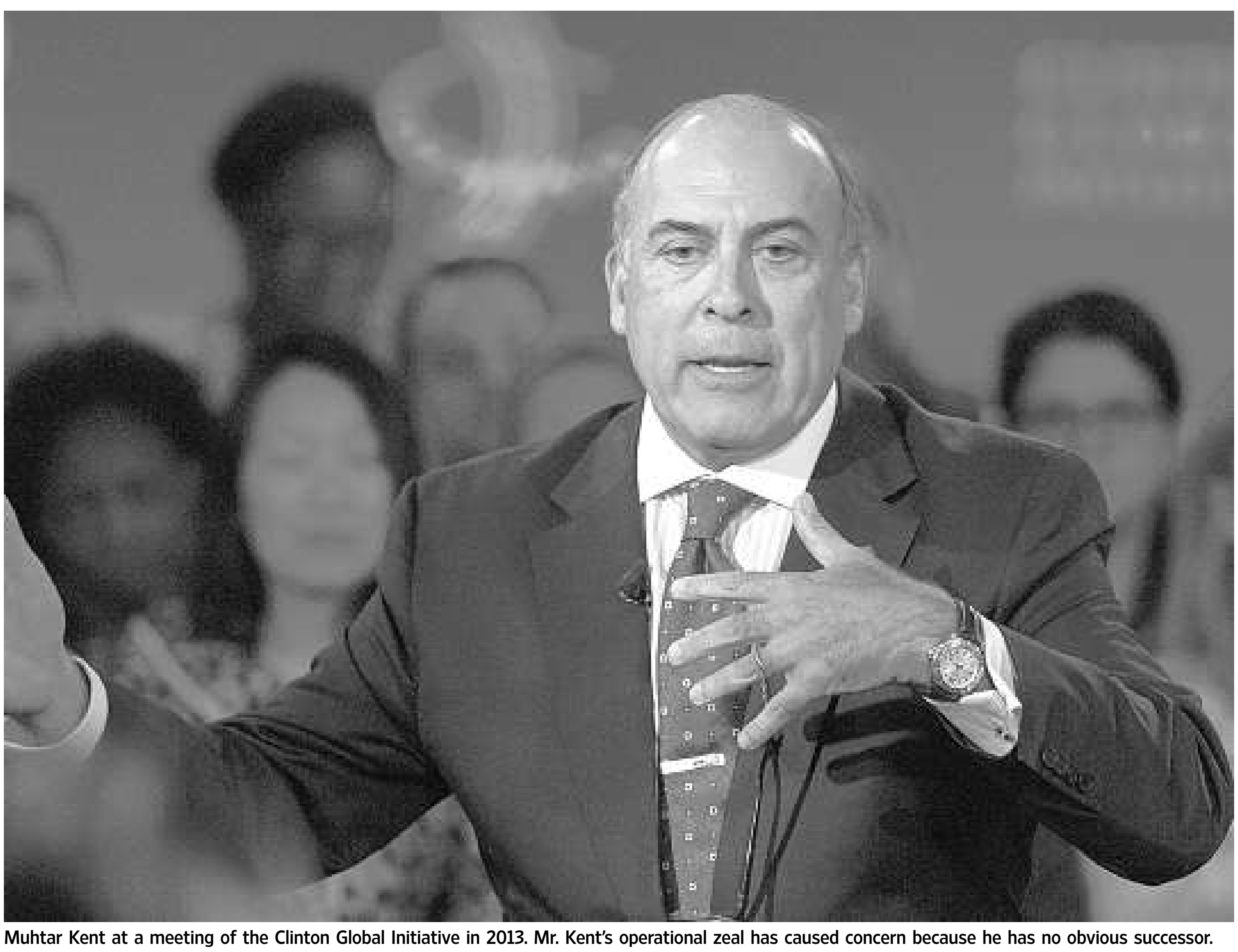
So far the company's only activist investor has been Mountain Lakes, N.J.-based Wintergreen Advisers LLC, which at the end of 2014 owned only about 2.5 million shares or 0.06% of Coke—a pittance compared with Berkshire Hathaway's 9.2% stake.

David Winters, chief executive of Wintergreen Advisers, has repeatedly lambasted Coke publicly, calling attention to an executive compensation plan that also drew criticism from Mr. Buffett last year. Mr. Winters has gone so far as to call for Mr. Kent and the board of directors to be replaced.

In his annual letter to Berkshire shareholders last month, Mr. Buffett said his "Big Four" investments—American Express, Coca-Cola, IBM and Wells Fargo—"possess excellent businesses and are run by managers who are both talented and shareholder-oriented."

Such confidence from a longtime ally isn't likely to make bulking up Coke any easier—or spare it from growing pains. Last October, Mr. Kent announced a $3 billion cost-cutting program, including more than 1,500 layoffs. He began sending out pink slips in January.

Meanwhile, Mr., Kent keeps his staffers mindful of the stakes. The constant message: Execute—or else.



Reuters

Muhtar Kent at a meeting of the Clinton Global Initiative in 2013. Mr. Kent's operational zeal has caused concern because he has no obvious successor.

OPINION: REVIEW & OUTLOOK

The Patience of Janet

Talk about a mixed message. The U.S. Federal Reserve's Open Market Committee on Wednesday finally dropped the word "patient" from its outlook for raising interest rates, but Chair Janet Yellen then used her press conference to replace it with an abundance of caution and hedging. Markets concluded that even if the Fed does raise the fed funds rate off near-zero in June, it won't continue to do so rapidly or regularly, and so investors staged another easy-money stock rally.

That seems a good reading of this Fed, which has been defined by the patience of Janet. The fledgling chair followed her predecessor's path by tapering the Fed's bond purchases on schedule, and now she is holding steady at near-zero for as long as markets allow. Don't be surprised if the first Fed rate increase slips to September from June.

There is ample reason for the Fed to have started moving already. The economy isn't booming, but the jobless rate keeps falling and labor markets are tight in many parts of the economy. The first signs of bigger wage increases have been showing up in the monthly jobs reports, which is welcome. But under the Fed's "output gap" economic model, tighter labor markets signal risks of higher inflation. That isn't our model. But if the Fed has abandoned it, markets should be told.

> A modest rate increase would not mean the return of 'tight money.'

The real reason to start moving is to return to monetary normalcy and reduce the risks of future economic trouble. According to the Taylor Rule, which the Fed sometimes purports to follow, the fed funds rate should already be closer to 2%. Instead we still have negative real interest rates nearly six years into an expansion with economic growth above 2%.

This can lead to credit excesses and asset bubbles that are often revealed only when rates begin to rise, as we learned the hard way in the 2000s. The zero bound also distorts capital flows, and getting off it should restore greater discipline to credit allocation.

It's true there are no signs of broader price inflation, thanks in part to the strong dollar and the collapse of oil prices. Chair Yellen danced around the rising dollar at her press conference, suggesting that she is uncertain about its impact on the real economy.

But with Europe and Japan betting everything on devaluation to spur growth, the Fed would have to unleash another bond-buying binge to keep up. That would lead to other risks, and in any case the strong dollar has benefits for the nonwealthy Americans who have missed the Fed-fueled asset boom. This may show up in greater consumer spending this year.

If the dollar keeps rising, as it probably will, the first Fed response should be better monetary coordination with Europe and Japan—and faster pro-growth economic reform in both places. The policy coordination of the 1980s could serve as a model, though that may be beyond the capacity of the current U.S. Treasury.

It's important to stress that getting off the zero bound doesn't mean a return to "tight money." A fed funds rate of 1% in any other era would have been considered wildly easy. The Fed balance sheet still stands at $4 trillion and it continues to reinvest the principal in new purchases when the old bonds come due.

Yet we are beginning to hear the same pleadings now from Washington and Wall Street for the Fed not to raise rates that we heard a decade ago when the Fed stayed at 1% for a year despite 4% GDP growth. Raise rates and stocks might fall. Or we might return to recession as in 1937—the most overworked analogy in economics.

Current growth is a long way from 4%, but that isn't the fault of monetary policy. Mediocre growth is the result of a host of other bad economic policies—including, as our contributor David Malpass has noted, restrictive financial regulation that has limited new bank lending. The best way the Fed could contribute to faster growth is by easing the Dodd-Frank screws. A modest rate increase would also do more good than harm.

After Netanyahu's Victory

The Israeli election that looked like a cliffhanger when the polls closed on Tuesday has turned out to be a decisive victory for Benjamin Netanyahu and his center-right coalition. Perhaps it's time for Americans, especially those in the White House, to recognize this new reality of Israeli politics.

The victory is a remarkable personal triumph for Mr. Netanyahu, who is now Israel's second longest-serving Prime Minister after David Ben-Gurion. He gambled that he could reassemble a more stable coalition, as well as by giving a high-stakes speech to the U.S. Congress two weeks before the election, and in the final days by stressing the security themes that are Israel's abiding concern.

This included Mr. Netanyahu's last-minute reversal of his support for a Palestinian state. The Prime Minister declared there would be no such state during his premiership, and conservative voters who had cooled to his leadership turned out for him.

> U.S. diplomacy needs to understand the shift in Israeli politics.

"Based on those comments, the United States will re-evaluate our approach to that situation going forward," said White House spokesman Josh Earnest on Wednesday, continuing to show the pique that has defined President Obama's relationship with Mr. Netanyahu. It's as if the White House still believes that this one man is the only obstacle to peace.

On Thursday Mr. Netanyahu reversed again and said a Palestinian state might be possible, but the underlying reality is that it is highly unlikely. The old land-for-peace diplomacy that Mr. Obama has sought to revive won't work amid a roiling Middle East, Palestinian rejectionism fed by Iran, and a U.S. that seems to be disengaging from the region.

Israelis have shown they will take risks for peace—recall Oslo in 1993 and Ehud Barak's sweeping concessions in 2000 that Yasser Arafat rejected—but they are not suicidal. Since those days of hope, Israelis have seen the Palestinian Authority reject reasonable land-for-peace offers and the terror group Hamas join the PA's governing coalition. They have seen Gaza become a launching pad for missile attacks on innocent civilians.

Mr. Obama might also reflect on his own contribution to Mr. Netanyahu's victory. Israelis surrounded by hostile nations are most likely to take risks for peace when they feel secure in America's backing. But Mr. Obama's looming concessions to Iran's nuclear program have united Israelis and Arabs in opposition. The President also invested heavily in Mr. Netanyahu's defeat, even trying to stop and then belittling his speech to Congress.

Now all of that has backfired. The first step to restoring a chance for peace should be restoring Israeli confidence in U.S. support.

Islamic State Threatens Tunisia

Tunisia has been a rare success of the Arab Spring, emerging as a pluralist if still fragile democracy. That makes it a certain target for jihadists, and on Wednesday they killed 21 and injured 22 in an attack on the Bardo National Museum in Tunis. Authorities believe the shooters initially planned to assault the nearby National Assembly while lawmakers were in session. On Thursday Islamic State claimed credit for the massacre aimed at "citizens of Crusader countries."

The Arab Spring was born in Tunisia in late 2010, when a fruit vendor set himself on fire in protest against official mistreatment. The subsequent popular uprising quickly toppled Tunisia's venal autocracy, and elections for a transitional government and constitutional assembly were held in 2011.

> The U.S. needs to help an Arab Spring success fight jihadists.

Ennahda, or Renaissance, a moderate Islamic party, formed a coalition with secularists and agreed to omit references to Shariah in the new constitution. After parliamentary and presidential elections last year, Ennahda handed power to the secular-liberal Nidaa Tounes party—a monumental feat in a region where power rarely changes hands peacefully, much less democratically.

Yet Tunisia must still reckon with jihadist militias operating out of the country's western-central mountains, and the Islamic State threat is a menacing new turn. The would-be caliphate is expanding its operations in Libya with little U.S. resistance, and it can use Libya as a base to strike inside Tunisia.

Islamist intimidation, recruitment efforts and assassinations of secular figures haven't drawn a sufficiently tough response from the Tunis government, not least for lack of manpower and funding. The country's counterterror efforts are spread across a patchwork of agencies.

President Obama last week pledged $1 billion in U.S. investment for Tunisia over the next three years, and Congressional leaders such as John McCain and Lindsey Graham have made a point of visiting the country to meet its leaders. France has also remained committed to its former colony, with Interior Minister Bernard Cazeneuve traveling to Tunisia on Friday to offer assistance.

We hope they make good on their promises and expand counterterror cooperation. A Western presence and engagement is essential to prevent another African state from descending into chaos.

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

Pepper . . . and Salt

THE WALL STREET JOURNAL

"What's with all the sleeping at night?"

OPINION

Crimea Is Still Ukraine

By Petro Poroshenko

One year ago, the Ukrainian territory of Crimea was illegally annexed by our neighbor and partner at the time, the Russian Federation. One year ago, as Russian special forces sacked the regional parliament and silenced dissenting voices, a farce referendum was held to position Moscow's land grab behind a facade of legitimacy.

I myself witnessed the illegal and shameful occupation, and never will I forget or excuse it. When I visited the Crimean capital of Simferopol to help negotiate a settlement one year ago, I saw many "little green men," who were in fact heavily armed professional soldiers. Although they were masked and disguised, with their uniforms and markings altered, it was clear that every command for the occupation had come from one source: the Kremlin.

Much has happened in our country since then. More of our territory has come under attack from the east. An insurgency led by Russia and supported by Russian troops and advisors has devastated the Donbas region of eastern Ukraine, a previously peaceful and hardworking industrial area. Now it is in ruins. More than 6,000 people have died. More than a million have been displaced. Russians who have died are buried in secret, their families denied explanations. Despite a renewed cease-fire that I signed in Minsk last month, periodic violence continues.

Ukraine and its people have made tremendous advances in the past year. The country has successfully held two free and fair elections. We are pushing forward with anticorruption measures, deregulation, the overhaul of the justice system, decentralization and other necessary reforms to eventually bring Ukraine up to European standards. However, we cannot for a moment ignore the brutal violence currently being inflicted in eastern Ukraine, nor can we forget Crimea's annexation.

Crimea is not merely a Ukrainian issue. For arguably the first time since World War II, one country has unilaterally appropriated the territory of another, setting a dangerous precedent in the conduct of international relations.

Perhaps most alarming is the lesson that Crimea teaches those states pondering the acquisition of nuclear weapons. When Russia invaded Crimea, it tore up the Budapest Memorandum on Security Assurances, the agreement that Ukraine reached in 1994 with its Russian, American and British partners. In return for guarantees of territorial integrity, Ukraine gave up its nuclear stockpile. With assurances and respect for Ukrainian sovereignty so cynically broken by the Russian Federation, other nations may now determine it is better to acquire the bomb than risk foreign guarantees.

The annexation of the Ukrainian peninsula was not only an assault on international law, it also robbed Ukrainian citizens the right to live in their own state. Moscow quickly exported its strong-arm rule, cracking down on dissent, the media and access to information. Those who refuse to accept Russian citizenship are considered foreigners, given no protections against deportation and denied access to basic services.

Reuters

TAKEN The Russian annexation has robbed Ukrainian citizens on the peninsula of the right to live in their own state.

No group has suffered under the occupation more than the Crimean Tatars, the indigenous population of Crimea that had previously suffered from ethnic cleansing and mass deportation under Stalin. Despite the risks, Tatars turned out in large numbers to protest the annexation. Intimidation and vigilantism against the Tatars and other minority groups have escalated.

Several Tatars and pro-Ukrainian activists have been murdered or simply disappeared. Other Tatar leaders, such as Mustafa Dzhemilev, have been silenced, deported or prevented from returning to their homeland. Russian authorities have moved to shut down the Crimean Tatar Mejlis, the organization that represents Tatar interests.

The police and vigilantes have vandalized cultural monuments, raided Mejlis offices and seized religious books. Mr. Dzhemilev has stated that repression in Crimea is now worse than it was during the Soviet Union. This is a powerful indictment from a man who was imprisoned by the Soviets and went on the longest hunger strike in the history of civil rights. During Soviet times, it was at least clear who was making the arrests, and why. Today, the violence is often impersonal, random and brutal.

Many others have also come under attack. Media outlets, journalists and independent civil organizations have been silenced. Voicing support for Crimea's status as a territory of Ukraine is now an offense that carries up to five years of prison time. Oleg Sentsov, a Crimean filmmaker who opposed the occupation, has been arrested and is being held in Russia on bogus terrorism charges. On the pretext of protecting Russian culture, other cultures on the peninsula are being obliterated. Every Ukrainian-language school in Crimea has been switched to Russian. The Ukrainian Orthodox Church of the Kiev Patriarchate in Crimea is being threatened.

On March 27, 2014, 100 United Nations member states voted in favor of a resolution affirming support for the territorial integrity of Ukraine and recognition of Crimea as a part of Ukraine. We remember and appreciate this display of international solidarity in a time of need. And we believe that the Crimean people will regain their native land.

One year later, Crimea still is Ukraine, and it is our joint responsibility with the rest of the world to undo the injustice de facto and de jure—to make the aggressor go. Sooner or later Crimea will return to where it belongs, and our joint duty is to make it sooner—out of respect of the rights of our citizens, to international law and for the sake of safeguarding global security.

Mr. Poroshenko is president of Ukraine.

The West Remembers Crimea

By Adam Thomson

A year ago, Moscow staged an illegal and illegitimate "referendum" in Crimea that quickly culminated in Russia's annexation of Crimea from Ukraine. Anybody who cares about truth, peace, human lives and the freedom of European states to determine their future without coercion should remember this anniversary every year. Russia redrew the map of Europe by force, lied about what it was doing and deepened the crisis in eastern Ukraine.

The annexation was conducted under the pretext that the rights of Russian-speakers in Crimea were under threat from Kiev. But there was no such threat. Shortly before the annexation, the Organization for Security and Co-operation in Europe's high commissioner for national minorities reported that there was "no evidence of any violence or threats." Instead, reports by the OSCE high commissioner, the Council of Europe's commissioner for human rights and the United Nations have all shown that it was only after Russian occupation that human rights came under threat in Crimea. The effects have been especially felt by Crimea's ethnic minorities, such as the sizeable Crimean Tatar community.

> We must not accept Russia's annexation of Ukrainian territory as a 'new normal.'

The "referendum" was hastily prepared in the span of two weeks. It did not meet democratic norms. There were no independent, international monitors. Elite Russian troops—the "little green men," as locals labeled them—appeared on the ground to shape and influence the result of the vote. Their equipment, accents and training all showed them to be Russian.

In March 2014 Vladimir Putin said that there were no Russian troops present and that he was not considering the possibility of Crimea joining Russia. Last week, Mr. Putin admitted in an interview that he started planning the annexation of Crimea on Feb. 22, 2014, weeks before the "referendum" took place.

The whole, brisk process took only a matter of weeks. And, perhaps emboldened by this success in annexing territory in Ukraine's south, Moscow moved on to the destabilization of eastern Ukraine with a steady flow of weaponry and soldiers, with the disastrous consequences we have all seen.

It is vital that the significance of Crimea's annexation not be played down. Russia's actions there and in the Donbas region of eastern Ukraine are not only a threat to Ukraine but also to the rest of Europe.

By annexing Crimea, violating its territorial integrity and destabilizing eastern Ukraine, Russia has intensified its challenge to Europe's painstakingly constructed security architecture and has ripped up the international rulebook. Russia is violating its own international commitments, including under the U.N. Charter, the OSCE Helsinki Final Act, the 2008 Budapest Memorandum and the 1997 Partition Treaty on the Status and Conditions of the Black Sea Fleet with Ukraine.

Commitments matter. Truth matters. Lies destabilize. If Mr. Putin tells Russia's neighbors today that they will not be next after Crimea and eastern Ukraine, should they believe him?

That is why remembering this anniversary matters. We must not accept Russia's illegal annexation of Crimea as a new reality and still less as a new normal. It is important that Russia has found itself isolated in the Security Council and in the wider international community. All Europeans, all North Atlantic Treaty Organization members and European Union nations should stand up for their shared values and their common security.

Russia, tragically, has suffered strategic derailment through its adventure in Ukraine. But that does not make its behavior safe. There is a way out. Russia can still withdraw its troops from Crimea and eastern Ukraine, abide by its commitments under the Minsk agreements and let the Ukrainian people run their own country.

But until this happens, our established position is firm: Crimea's annexation is unacceptable, and we will continue to defend our values with sanctions that punish those responsible.

Mr. Thomson is Britain's permanent representative to NATO.

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Notable & Quotable

From the March 16 maiden floor speech by Sen. Tom Cotton (R., Ark.), a veteran of the Iraq war:

The best way to avoid war is to be willing and prepared to fight a war in the first place. That's the alternative: military strength and moral confidence in the defense of America's national security. Our enemies and allies alike must know that aggressors will pay an unspeakable price for challenging the United States.

The best way to impose that price is global military dominance. When it comes to war, narrow margins are not enough, for they are nothing more than an invitation to war. We must have such hegemonic strength that no sane adversary would ever imagine challenging the United States. . .

Just 25 years ago, a dominant American military ended the Cold War without firing a shot. If we return to the dominance of that era, aggressive despots like Vladimir Putin, rising powers like China, and state sponsors of terrorism like Iran's ayatollahs will think long and hard before crossing us. And while we may not deter terrorist groups like the Islamic State, al Qaeda and Hezbollah, we will kill their adherents more effectively, while also sending a needed lesson to their sympathizers: join and you too will die.

OPINION

ObamaCare for Arms Control

[Wonder Land]

By Daniel Henninger

The Iran nuclear deal is going to be the ObamaCare of arms-control agreements—a substantive mess undermined by a failure to build adequate political support.

Tuesday is the deadline for completing the "political" terms of an agreement with Iran. "Technical" details arrive in June. From news reporting on the negotiations, it appears the agreement is turning into a virtual Rube Goldberg machine, a patchwork of fixes that its creators will claim somehow limits Iran's nuclear breakout period to "a year." Which is to say, it's going to be another ObamaCare, a poorly designed megaproject others will have to clean up later.

Just as ObamaCare was a massive entitlement program enacted with no Republican support (unlike Social Security, Medicare and Medicaid), the administration's major arms-control agreement is bypassing a traditional vote in the Senate. Instead, it will get rubber-stamp approval by, of all things, the United Nations Security Council.

Can anyone feign surprise that this has produced a political reaction in the Senate? The heavily bipartisan Corker-Menendez bill, which would require the deal to be submitted to Congress and which the White House has denounced, is a few votes away from a veto-proof majority.

Political legitimacy is the coin of the realm in the American system. It is why every U.S. president in the postwar era, except this one, has worked so hard to assemble opposition support for his projects. Without it, any initiative will remain politically vulnerable.

In a letter last weekend to Sen. Bob Corker, chairman of the Foreign Relations Committee, White House Chief of Staff Denis McDonough doubled down on Barack Obama's general theory of American politics—my way or the highway. He wrote that other arms agreements haven't gone through the Senate and that Mr. Corker and his Senate colleagues should step away from the Iran deal.

In fact, Presidents Kennedy, Nixon and Reagan all submitted major arms-control treaties and agreements for Senate approval. They did so to give their work political credibility with the American people and indeed the world. But somehow Mr. Obama believes he has an exemption from the basics of U.S. politics. So we wake up one day to find he is substituting the judgment of the Security Council, with such famous allies as Russia and China, for consent from the U.S. Senate. Result: an arms deal as politically flaccid as ObamaCare.

After the Affordable Care Act became a one-party law, many governors refused to participate. A mirror-image opt-out from the Iran deal is emerging now among the most significant nations of the Middle East.

Martin Kozlowski

Earlier this week, Prince Turki al-Faisal, Saudi Arabia's former intelligence chief, told the BBC, "I've always said whatever comes out of these talks, we will want the same." He wasn't talking about forsaking the nuclear option. Elaborating, he said, "If Iran has the ability to enrich uranium to whatever level, it's not just Saudi Arabia that's going to ask for that. The whole world will be an open door to go that route without any inhibition." By the "whole world" he of course means Egypt, Turkey, Jordan and the United Arab Emirates. Are all these countries opposed to the Iran deal because they "hate Obama?"

On March 5, at the deal's 11th hour, Secretary of State John Kerry flew to Saudi Arabia to reassure King Salman about the Iran deal, which is at least more time than Mr. Obama gave doubting U.S. governors on his health-care plan. The result was the same: no political buy-in. Emirates commentator Mishaal al-Gergawi told The Wall Street Journal: "A lot of the Gulf countries feel they are being thrown under the bus." Welcome to the club.

Whether in domestic or foreign policy, Mr. Obama's modus operandi is the same: Structure the issue as a choice between what he wants to do and an unacceptable extreme. The result, not surprisingly, is to choke off any possibility of building useful political coalitions from the outset.

With health care, the whole of GOP alternatives was "nothing new." With Iran, it's Mr. Obama's deal or a "rush to war." You get two political options: Salute or shut up.

As important as the constitutional issues raised by Mr. Obama's unilateral authority is the *political* damage he has done to traditional relationships between the presidency and the institutions his methods have marginalized.

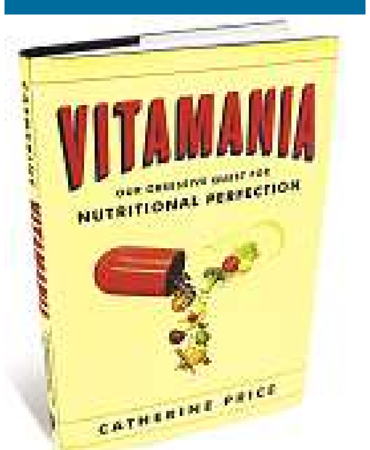
The Obama presidency has sucked the oxygen out of politics in Washington and indeed the world. But politics abhors a vacuum. The Senate letter to Iran more than anything is the system bursting outside its normal channels. Desperate Ukraine, abandoned to Russia by the U.S., has pathetically asked the U.N. to send blue-helmeted peacekeepers to eastern Ukraine.

No serious person can be shocked if what happens after the Iran nuclear agreement looks a lot like the ObamaCare rollout—a shambles of half-done details. With ObamaCare, America's courts and bureaucracies are available to clean up the mess. But you may not like the cleanup crew that shows up for the ObamaCare of arms-control deals.

Write to henninger@wsj.com

Talismans of Vitality

[Bookshelf]



Vitamania
By Catherine Price
Penguin Press, 318 pages, £18.45

By Trevor Butterworth

"It is the oomph vitamin," said Vice President Henry Wallace at the 1941 National Nutrition Conference for Defense. He was lauding thiamine, which, along with the rest of the B vitamins, made "life seem tremendously worth living."

As Catherine Price notes in "Vitamania," a narrative tracing America's "obsessive quest for nutritional perfection," Wallace had taken the emerging medical consensus about some newly discovered components of food and gotten carried away. The media got carried away too. Thiamine, better known as B1, was dubbed the "morale" vitamin. It was "vitalizing," said the New York Times, and provided "charm, composure, and good digestion." The stage was set for a raft of products that would supposedly improve the nation's well-being, including thiamine-enriched chocolate syrup and vitamin-enriched doughnuts. There was even a patent for thiamine-enhanced tobacco.

As naive as all this sounds now, the mania behind "vitamania"—a term coined in 1942—has continued unabated, creating an empire of poorly regulated and often pointless supplements worth billions of dollars to the economy and powered by a consumer craving for succor and "oomph." Vitamins are still talismanic, as are the supplements that fill the shelves of health-food stores: They are avatars of vitality, better taken than understood.

Thanks to the hard-won victories of science, it is clear to us that it's all about having enough—and enough can be had from a well-balanced diet. But that wasn't quite so obvious in the 1930s and 1940s. Public-health experts had legitimate concerns that significant numbers of Americans were deficient in micronutrients. And Americans were—or were soon to be—at war with Nazi Germany, a power obsessed with public health and nutrition.

Who could argue against thiamine's role in victory? At the time it was comprehended only vaguely, and its critical function in the body was most noticeable by its absence. Without thiamine, people began to develop the symptoms of beriberi: swollen legs and feet followed by crushing pressure on the rib cage and, finally, a suffocating death. We know now that thiamine plays a critical role in breaking down carbohydrates, synthesizing RNA and DNA, and maintaining the brain and nervous systems. The studies in the 1940s suggesting that thiamine supplied oomph were farcical by modern standards.

> A normal diet provides most of the nutrients the body requires. We don't need health supplements yet knock them back with gusto.

Though Ms. Price, an award-winning science writer, traces the full arc of vitamin boosterism—from the confused effort to combat grotesque diseases in the colonial era to gradual scientific understanding—much of her book concerns vitamania's legacy. Our aggregate diet these days is such that many of us probably don't need vitamin supplements. Yet we knock them back with gusto—along with other "health" supplements that have little or no value and certainly little or no science backing up their extravagant claims. Meanwhile, we deny African farmers the right to plant rice genetically engineered to be rich in vitamin A, a potentially lifesaving intervention.

The baselessness of our hopes for various elixirs, alongside our baseless fear of science's true achievements, opens up a rich vein of hypocrisy that Ms. Price mines with engaging relish. In a series of lively chapters she explores how we went from 13 vitamins that are essential to our health (although detrimental in megadoses) to endless confections of amino acids, enzymes, metabolites, organ tissues, ground-up glands, herbs and botanical byproducts—all of which are benignly sold as dietary supplements.

In one chapter, Ms. Price decides to search for a "natural" remedy for sensitive skin and is advised by the clerk at her local nutrition store to try "Supercritical Omega 7"—a fatty oil derived from sea buckthorn, the benefits of which, the label says, have been "widely documented" by Mongolians and Tibetans applying it to their bodies' "sensitive internal organs" and also reported "in various modern studies." What modern studies? Ms. Price wonders. The manufacturer can't actually tell her when she gives it a call. When she follows up by asking why she shouldn't take sea buckthorn while pregnant—as the box warns—the company's rep says: "It's not that we're aware of any issues . . . we just want to play it safe."

She turns to the Food and Drug Administration, but it can tell her nothing thanks to a 1976 amendment to the Federal Food, Drug, and Cosmetic Act (1938) that prohibits the FDA from establishing standards for supplements, or classifying them as drugs, or requiring that they contain useful ingredients. On top of that, legislation signed into law by Bill Clinton in 1994 radically broadened the legal definition of a supplement. The result, as Ms. Price points out, is a smorgasbord of 85,000 products exempt from safety testing. In short, who knows what happens if you binge on sea buckthorn? But, hey, it's natural.

Behind the bizarre disconnect between rigorous drug regulation and a "whatever" approach to dietary supplements are industry lobbying, Oz-like doctors and politicians on both sides of the aisle whose states benefit from the thousands of jobs provided by the multibillion-dollar supplement industry. It is not a new story, but Ms. Price gives it a vigorous retelling. She also reminds us that the prophets of vitamania, and their political allies, would all be powerless if it were not for a peculiar kind of deficiency in ourselves that keeps us reaching for "a salve against uncertainty." Faced with such primal fears, it seems, science is powerless.

Mr. Butterworth, the editor at STATS.org, is director of Sense About Science USA.

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Ex-Trader At Moore Capital Gets Prison Term

By Margot Patrick

LONDON—Former Moore Capital Management trader Julian Rifat was sentenced to 19 months in prison on Thursday, after pleading guilty to sharing insider stock tips in exchange for cash, a family vacation and a luxury car.

Mr. Rifat, 45 years old, regularly received advance notice of companies' plans to raise new shares or other potentially market-moving information as a senior trader at Moore. Between June and November 2009, he passed inside information on eight companies to Graeme Shelley, a self-employed stockbroker who placed trades on the stocks, according to prosecutors for the U.K.'s Financial Conduct Authority.

The two men split gains of around £285,000 ($427,000) from the trades, the court heard. Mr. Rifat was also fined £100,000 and ordered to pay £159,402 toward the FCA's costs.

Mr. Rifat pleaded guilty in November to one count of insider dealing. Mr. Shelley received a two-year suspended sentence after pleading guilty to insider-trading charges last year. Moore Capital wasn't accused of wrongdoing.

Mr. Rifat, Mr. Shelley and four other men were arrested on March 23, 2010, Mr. Rifat's 41st birthday. FCA investigators said they linked the two men from handwritten notes found in Mr. Rifat's desk at Moore Capital and in the pocket of a coat belonging to Mr. Shelley at his Uxbridge home. Both men had jotted down stock tickers and tallies of gains and losses that matched up.

According to FCA prosecutor Mark Ellison, Mr. Rifat was considered to be "the go-to man at Moore Capital" for bankers to contact about deals that Moore Capital might want to participate in. Mr. Rifat would then call or text Mr. Shelley with a stock order before the information became public, Mr. Ellison said.

Hedge funds, investment banks and other trading firms often receive notice of forthcoming securities offers or other potentially market-moving information, with the agreement that they can't trade on it. Misuse of such information has featured heavily in U.K. insider-trading investigations and the FCA has been clamping down on how firms handle it.

Among the ways Mr. Shelley shared the gains made through his trading accounts was to buy Mr. Rifat a new Range Rover, the court heard in testimony on Thursday. Mr. Shelley also paid £14,700 for Mr. Rifat to take his family on vacation in Oman.

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Shale Push Falters Outside U.S.

By Justin Scheck
And Selina Williams

After spending more than five years and billions of dollars trying to re-create the U.S. shale boom overseas, some of the world's biggest oil companies are starting to give up amid a world-wide collapse in crude prices.

Chevron Corp., **Exxon Mobil** Corp. and **Royal Dutch Shell** PLC have packed up nearly all of their hydraulic fracturing wildcatting in Europe, Russia and China. The reasons vary from sanctions in Russia, a ban in France, a moratorium in Germany and poor results in Poland to crude prices below what it can cost to produce a barrel of shale oil.

Chevron halted its last European fracking operations in February when it pulled out of Romania. Shell said it is cutting world-wide shale spending by 30% in places including Turkey, Ukraine and Argentina. Exxon has pulled out of Poland and Hungary, and its German fracking operations are on hold.

The result: Outside the U.S., where fracking has produced a historic glut of oil, only China, Argentina and Canada have commercial shale production, the U.S. Energy Information Administration says, though America holds less than 10% of the world's estimated shale reserves. Europe, including Russia, and China alone have nearly triple the reserves of the U.S., according to the EIA.

"The pace of development outside North America is slower everywhere than people thought it would be," Simon Henry, Shell's chief financial officer, said in a recent interview.

A recovery in oil prices could change the equation, giving big companies more room to take risky bets on shale. And bright spots for shale prospectors outside North America still exist.

Regions of Argentina and Algeria appear to be "as good as the U.S.," says Faouzi Aloulou, an EIA project manager who analyzes shale prospects. Two French companies and a British firm are planning to drill in the U.K., where there is a debate over the practice's health and environmental effects. In Poland, small companies—the kind that pioneered the U.S. shale boom—are still drilling despite their big rivals' discouraging results.

"The publicity is bad, but the reality is it's going to be down to the smaller companies to prove the play, as they did in the U.S.," says Oisín Fanning, the executive chairman of **San Leon Energy** PLC, a U.K.-listed explorer that announced a commercial gas discovery in Poland in February and expects its first sales in early 2016.

Fracking works by using water, sand and chemicals to fracture underground rock and hold the cracks open, allowing oil and gas trapped in the rocks to flow. Unlike the long-term projects that the world's biggest oil companies specialize in, shale wells tend to have short lives, and developing a shale field requires drilling many holes over a short period.

The technology worked well for small producers in North America, but oil giants such as Exxon and Shell, with their thick layers of management and slow drilling-approval processes, largely missed out on the profits there.

Knowing other countries had shale, the big companies last decade looked elsewhere to see if they could build a boom from scratch. Eastern European officials who were eager to wean their nations off Russian gas welcomed the explorers.

Chevron beginning late last decade invested in Romania, Lithuania and Poland, which some geologists and oil-business-development specialists said had Europe's most attractive shale potential.

"In Poland you had a mix of a higher resource estimate plus a government keen on promoting shale gas to reduce dependence on Russian gas," said Richard Sarsfield-Hall of Finnish consulting and engineering firm Pöyry.

But actual drilling results in Poland were disappointing.

Chevron kept drilling, even after the EIA in 2013 lowered its estimates of Poland's shale-gas reserve by about 20% and other producers like France's **Total** SA threw in the towel.

By 2014, Chevron's Eastern Europe bet wasn't looking good. It exited Lithuania last summer. Last fall, Romania's president said the country didn't appear to have any shale

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Reuters

U.S. oil producer Chevron ended its fracking operations in Romania in February.

Shale Fail

Large oil companies are pulling back on fracking outside of North America.

Estimated technically recoverable shale-gas deposits in selected countries:

OTHER			EUROPE		
1,115 trillions of cubic feet (tcf)	China	Shell found shale gas in 2011 but is scaling back efforts.	**148**	Poland	Chevron, Exxon and Total quit after poor results. Conoco still working.
802	Argentina	Chevron has reported positive drilling results.	**137**	France	Fracking banned in 2011. Total, GDF Suez licenses revoked.
665	U.S.	America has led the shale boom.	**26**	U.K.	Seven wells drilled, one fracked.

Sources: U.S. Energy Information Administration (shale-gas estimates in 2013); staff reports

THE WALL STREET JOURNAL.

A Brent Benchmark With No Brent Oil

By Georgi Kantchev
And Sarah Kent

LONDON—It was once a behemoth, a North Sea oil field whose importance to the world crude market was summed up by its name atop the global benchmark price: Brent.

Today, the Brent field, northeast of Scotland's remote Shetland Islands, is all but tapped dry. It produces about 1,000 barrels a day in a global market of 93 million daily barrels. **Royal Dutch Shell** PLC is awaiting approval to scrap the first of four Eiffel Tower-sized platforms that have sucked Brent-branded crude from the seabed for almost 40 years.

In a few years, the Brent benchmark—a crucial metric for global oil prices—will contain no actual Brent at all.

With aging North Sea fields running out of crude faster than predicted, changes to how the global price of oil is calculated are being accelerated, putting a spotlight on the methods used to put a value on the world's most important commodity.

Unlike the price of a share of **Apple** Inc., for instance, the price of oil is a fuzzy thing. A barrel here isn't worth the same as a barrel there, but benchmarks like Brent provide a stable price point against which oil from anywhere around the world can be traded at a premium or discount.

Platts, the **McGraw Hill Financial** Inc.-owned news and information service that provides the industry standard for Brent pricing, long ago stopped using only Brent crude to calculate the benchmark. It computes the price every day from information provided by traders buying and selling a mix of grades from other North Sea fields, but has said it could add more oil from other locations as North Sea crude is depleted.

Now, the Brent field's output makes up less than 0.1% of the oil—down from 100% at the benchmark's inception—that could be traded every day to create the benchmark price.

"The changes to Brent might have to happen sooner," said Jorge Montepeque, global director of market reporting at Platts and one of the architects behind the benchmark.

"We could add oil from West Af-

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Rovio Loses 'Angry Birds' Edge

By Juhana Rossi

HELSINKI—"Angry Birds" maker **Rovio Entertainment** Ltd. said Thursday its operating profit fell sharply in 2014 as a small rise in mobile-games revenue failed compensate for a big decline in tie-in merchandise and licensing sales.

Rovio's Angry Birds mobile-game franchise became a global phenomenon following the game's launch in 2009, but in recent years the privately held Finnish company has struggled as new mobile games by other developers have surpassed Angry Birds in popularity and money-generating ability.

Last year Rovio's revenue fell 8.8% to €158.3 million ($172 million), from €173.5 million in 2013, while operating profit dropped to €10 million from €36.5 million, the previous year, the company said.

In response to flagging sales, Rovio cut 110 jobs, or about 14% of its workforce, late last year. Also, longtime Chief Executive Mikael Hed stepped down. He was succeeded by Pekka Rantala, who had previously worked at the Finnish telecommunications-equipment maker Nokia Corp.

Rovio's troubles stem from its failure to adapt successfully to the free-to-play business model that has now become the industry standard in mobile games.

In free-to-play games, titles can be downloaded free of charge. Players then make in-game purchases to enhance their games experience. Rovio originally built its business on charging a small fee for the initial game downloads.

Associated Press

Mobile-game maker Rovio posted lower earnings and revenue for 2014, hurt by weak sales of 'Angry Birds' merchandise.

Rovio has worked to revitalize its games business by launching new free-to-play titles at a steady pace. In 2014, its games revenue rose to €110.7 million from €95.2 million in the previous year.

"2014 results show that steps in the game portfolio, free-to-play competency building and advertising are going in the right direction," Mr. Rantala said.

Despite the improvement in Rovio's games business, its financial performance pales in comparison with the top-grossing mobile-game developers in the world.

For example, Anglo-Swedish developer King Digital Entertainment PLC, owner of the blockbuster title 'Candy Crush Saga," posted revenue of $2.26 billion for 2014.

Rovio has also expanded from games to other lines of business, such as making short animated video clips and licensing the Angry Birds brand widely, ranging from theme parks and playgrounds to myriad consumer products such as toys and apparel. But in 2014 the sales of Angry Birds merchandise took a nose dive, and Rovio's revenue from consumer products dropped 43% to €41.4 million, from €73.1 million in 2013.

Mr. Rantala said Rovio is hoping its licensing and consumer-product business will get a boost from the launch of the first Angry Birds feature film, due out in May 2016.

Philips Sets IPO in 2016 For Lighting Operations

Dutch electronics group **Koninklijke Philips** NV on Thursday said it plans to spin off its lighting business in a multibillion-euro initial public offering next year.

*By **Ian Walker** in London and **Archie van Riemsdijk** in Amsterdam*

The company said in September that it would split itself into two companies and then spin off the lighting business. The separation is the latest move by the Dutch conglomerate to narrow its focus after a number of profit warnings and criticism that its cumbersome corporate structure slows it down.

Philips, whose products include shavers, coffee machines and hospital scanners, said Thursday that the lighting business, which reported revenue of €6.87 billion ($7.46 billion) in 2014, would be moved into a separate holding-company structure to prepare it for a listing.

The plan echoes the decision by Siemens AG, the German engineering group, which in 2013 listed **Osram Licht** AG, its lighting business, having previously separated it from the main group. **Philips Lighting** and Osram compete with the lighting division of General Electric Co.

In a letter to shareholders, Philips said the spinoff could take place in the first six months of 2016, starting with the sale of a minority stake.

This was slightly later than expected, highlighting the complexities of the separation, said Kepler Cheuvreux analyst Peter Olofsen. "In many countries, Philips's health care and lighting activities have operated in one legal entity for a hundred years or more," Mr. Olofsen said.

Philips Chief Executive Frans van Houten has experience with similar overhauls. In 2009, he was hired by Dutch bank ING Groep NV to lead the split-up of its banking and insurance operations, one of the largest corporate restructurings in Dutch history.

Philips said the split would enable both companies to better focus on their own operations, leaving Philips reliant on health-care equipment and consumer-lifestyle products for revenue. Lighting contributed nearly 30% of Philips's revenue of €21.39 billion in 2014.

The proceeds of the spinoff will be used invest in the health-care operations, Philips said. The company didn't say how much it hopes to raise.

Orange's Takeover of Jazztel Hits Bump

By Tom Fairless
And Ruth Bender

BRUSSELS—The European Union has halted for a second time its antitrust review of **Orange** SA's €3.4 billion ($3.7 billion) acquisition of Spanish broadband and cellphone operator **Jazztel** SA, as regulators consider whether the merger will drive up consumer prices in Spain.

The move stirs up uncertainty over a deal that would almost double Orange's market share in broadband Internet access in Spain, leapfrogging **Vodafone Group** PLC to become the country's second-largest provider in that segment. The market leader is Telefónica SA.

A spokeswoman for the EU's new antitrust chief, Margrethe Vestager, said Thursday that "the clock has been stopped" on the Orange-Jazztel deal since March 4.

"Information is missing from the file that we require before resuming the investigation," the spokeswoman said. The European Commission previously suspended the probe for a week in January.

Orange said it is committed to continuing its discussions with the commission during the suspension period. "Orange remains confident that it will secure a positive outcome to this process but cannot elaborate further at this stage," said a spokesman for the Paris-based company.

The Spanish merger is being watched closely by investors as a test case for how Ms. Vestager will approach deals in Europe's rapidly consolidating telecommunications sector.

European operators have been lobbying for years to be able to merge, arguing that such moves would help them boost necessary investments in their networks.

Telecom executives have been encouraged by the pro-investment stance of the EU's new Brussels-based executive team. Orange Chief Executive Stéphane Richard said in November that the commission appeared to be more open to consolidation but that the review of its Jazztel deal would be the first test of how the commission approaches such mergers.

For Orange, concluding the deal, which it initiated in September, is crucial for the group's plan to revive sales. Spain is Orange's second-largest market, accounting for about 10% of the group's revenue. Competition there has been stiff, as it has been in France, Orange's largest market.

When the commission opened the probe in December, it expressed concern that Orange's acquisition of Jazztel would lead to higher prices for Spanish customers of fixed Internet and fixed-mobile triple-play deals.

Orange submitted remedies aimed at addressing those concerns on March 6, according to a statement posted online.

The company also presented its arguments at an oral hearing organized by the commission in Brussels on Monday, two people familiar with the matter said. Such hearings allow companies to make their case to a broader audience.

The EU's new executive team, led by former Luxembourg Prime Minister Jean-Claude Juncker, entered office in November with a pledge to create a single digital market by breaking down national silos in telecom regulation and competition law.

In a speech this month, though, Ms. Vestager warned that she wouldn't allow large mergers to take place at the expense of consumers.

"The argument goes that we need to protect companies, to help them become bigger companies, otherwise they can't take on international rivals," she said.

"I'm not convinced about these arguments," she said. "[Mergers] should not happen at the expense of consumers."

INDEX TO BUSINESSES

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Corrections & Amplifications

General Motors Co. sold 189,000 vehicles in Russia in 2014. A Business & Finance article Thursday about the car company's exit from the country incorrectly said it sold 189 million vehicles there in 2014.

Readers can alert the London newsroom of The Wall Street Journal to any errors in news articles by emailing **wsjcontact@wsj.com** or by calling +44 (0)20 7842 9901.

BUSINESS & FINANCE

Virtual Reality: Upside Mixed With Fear

By Sarah E. Needleman

Lucas Unger was excited to reach the next level of "The Gallery: Six Elements," a virtual-reality videogame his parents are developing. But the 8-year-old had a problem. He wasn't tall enough in real life to pull a lever in the virtual world.

"I was too short," the second grader said. "I was reaching up super high. It was hard."

Two years into the development of "The Gallery," **Cloudhead Games** still had a virtual-reality hurdle to clear: making the game playable for people of different heights. "It had never been an issue in videogames before," said Joel Green, a producer at the 10-person Canadian start-up. "All of a sudden short people are short and tall people are tall."

The setback illustrates the kinds of challenges software makers—many of them small, independent developers—are facing as a wave of virtual-reality headsets begin heading to store shelves as early as next Christmas. Researchers at Gartner Inc. project that more than 25 million will be sold by 2018.

Big hardware makers are crowding the field, underscored by **Facebook** Inc.'s $2 billion purchase of Oculus VR last year. **Samsung Electronics** Inc. and **HTC** Corp. are penciling in holiday releases for their headsets, the Gear VR and Vive, respectively. **Sony** Corp.'s Project Morpheus is expected to make its debut in the first half of 2016.

The market for virtual reality could be valued at more than $5 billion by 2018, according to a recent report by KZero Worlds–wide, a U.K. consulting firm. Videogames are expected to be the most common way to reach potential buyers initially.

Bloomberg News

An Oculus VR headset got a tryout in January ahead of the 2015 Consumer Electronics Show in Las Vegas.

"There is this fear that if a really bad product goes out, it could set the industry back to the '90s," John Carmack, chief technology officer at Oculus VR and a programmer of the shooter game "Doom," said at the Game Developers Conference earlier this month in San Francisco.

Mr. Carmack is still urging game makers to get in on the ground floor, and many are lining up. Roughly 1.3 million developer kits, ranging in price from $20 to $590, have been sold over the past 18 months, according to analysts at Superdata Research.

"The upside is enormous, but the risk is enormous," said Paul Bettner, who co-created the hit mobile game "Words With Friends" and sold it to Zynga Inc. in 2010. He is making an adventure game for the Oculus Rift that Oculus is helping to fund. "We've done millions of dollars of work on this game," Mr. Bettner said. He also worries that one bad experience from any game could turn off buyers.

When programmers at Side-Kick Games Ltd. got their hands on a developer kit, they tried copying over their top-selling mobile games, a well-worn practice in the game industry called "porting." Some games looked "really weird," said Guy Bendov, chief executive of the 20-person company, which has offices in Tel Aviv and Irvine, Calif. Clouds and smoke were motionless, for example.

That didn't make for much of an immersive world. "To have a great experience that surrounds you requires a lot more thinking about how the environment should look," Mr. Bendov said. "We were surprised by how much additional work we needed to do."

Even something as simple as showing how many "lives" a player has left has to be rethought, said Sigurður Gunnarsson, a senior programmer at CCP Games, which is making a virtual-reality shooter set in the Icelandic company's 11-year-old "Eve" franchise.

In a traditional game, the number of lives left might be displayed in a box in the upper-right corner of the screen. But in virtual reality, overlays of information are obtrusive. Players in the coming "Eve: Valkyrie" game might instead have to look at a spaceship's dashboard to keep tabs on their status.

"You kind of need to throw out the book of game design," Mr. Gunnarsson said.

As Lucas discovered with "The Gallery," there are plenty of real-world challenges. Players using the Vive headset, which HTC is developing jointly with the personal-computer game distributor **Valve** Corp., risk knocking into walls while moving around a laser-tracked space. To guide people away from bumps and bruises, the companies are experimenting with having white lines appear in the virtual world to show players when they are getting too close to real-world objects.

Mr. Bettner, whose McKinney, Texas, start-up has 30 employees, is nervous about how consumers will react to virtual reality. "The way [it's] going to translate into an actual consumer platform over the next year is anyone's guess," he said. "We're holding our breath to see if this is going to be virtual reality's moment."

New Details Emerge in U.S. Antitrust Probe of Google

Continued from first page

vestigation closed two years ago, the ways people access information online have only increased, giving consumers more choice than ever before."

On one issue—whether Google used anticompetitive tactics for its search engine—the competition staff recommended against a lawsuit, although it said Google's actions resulted in "significant harm" to rivals. In three other areas, the report found evidence the company used its monopoly behavior to help its own business and hurt its competitors.

The report undercuts Google's oft-stated contention that the FTC found no evidence of wrongdoing. "The conclusion is clear: Google's services are good for users and good for competition," said David Drummond, Google's senior vice president and chief legal officer, when the FTC closed the matter.

It could prompt new complaints from some Google competitors, such as **Yelp** Inc., who allege the company still engages in anticompetitive behavior, and renewed focus by antitrust authorities in Europe, who are pursuing their own look into Google. European regulators are looking into similar issues examined by the FTC.

"This document appears to show that the FTC had direct evidence from Google of intentional search bias," said Luther Lowe, the vice president of public policy for Yelp.

The Wall Street Journal viewed portions of the document after the agency inadvertently disclosed it as part of a Freedom of Information Act request. The FTC declined to release the undisclosed pages and asked the Journal to return the document, which it declined to do.

"Unfortunately, an unredacted version of this material was inadvertently released in response to a FOIA request," an FTC spokesman said in a statement to the Journal. "We are taking steps to ensure this does not happen again," the statement said.

Embedded in the document and in detailed footnotes are an array of previously unknown details about Google's business, many of which come from senior officials such as Executive Chairman Eric Schmidt, former executive Marissa Mayer and co-founders Larry Page and Sergey Brin.

It was well known that Microsoft had complained about Google, but the document shows the agency also received testimony from some of the largest U.S. Internet companies, including **Amazon.com** Inc. and **eBay** Inc. Representatives from eBay and Amazon declined to comment.

Data included in the report suggest Google was more dominant in the U.S. Internet search market than was widely believed. The company estimated its market share at between 69% and 84% during a period when research firm comScore put it at 65%. "From an antitrust perspective, I'm happy to see [comScore] underestimate our share," the report quoted Google Chief Economist Hal Varian as saying, without specifying the context.

An antitrust suit against Google would have been one of the most high-profile in recent history and would have pitted Obama administration appointees against one of the White House's closest corporate allies. Google was the second-largest corporate source of campaign donations to President Barack Obama's re-election effort. Google executives have visited the White House scores of times since Mr. Obama has been in office, according to visitor logs.

"The FTC is an independent agency and we respect their independent decision-making," said a White House spokeswoman.

The report undercuts Google's oft-stated contention that the FTC found no evidence of wrongdoing.

In its lengthy investigation, FTC staff collected nine million pages of documents from Google and other parties and took the sworn testimony of Google executives.

The staff report said Google's conduct "helped it to maintain, preserve and enhance Google's monopoly position in the markets for search and search advertising" in violation of the law. Google's behavior "will have lasting negative effects on consumer welfare," the report said.

Google has long disputed any characterization that it is a monopoly, saying that competition is "just a click away."

In discussing one of the issues the FTC staff wanted to sue over, the report said the company illegally took content from rival websites such as Yelp, **TripAdvisor** Inc. and Amazon to improve its own websites. It cited one instance when Google copied Amazon's sales rankings to rank its own items. It also copied Amazon's reviews and ratings, the report found. A TripAdvisor spokesman declined to comment.

When competitors asked Google to stop taking their content, Google threatened to remove them from its search engine.

"It is clear that Google's threat was intended to produce, and *did* produce, the desired effect," the report said, "which was to coerce Yelp and TripAdvisor into backing down." The company also sent a message that it would "use its monopoly power over search to extract the fruits of its rivals' innovations."

In its final agreement, the commission secured a promise that Google would allow websites to opt out of having their content included in its competing search products.

The staff said Google also broke antitrust law by placing restrictions on websites that publish its search results from also working with rivals such as Microsoft's Bing and Yahoo Inc. The commission made no mention of this issue in its final report, nor did it secure any commitments from Google to change its policies.

In a third area, the FTC staff said Google violated antitrust law by restricting advertisers' ability to use data garnered from Google ad campaigns in advertising run on rival platforms.

The FTC report cited a Google employee who said that the company once wanted to do away with the unnecessary restriction but was overruled by Mr. Page, who is now Google's chief executive. A Google spokeswoman declined to make Mr. Page available.

Ultimately, Google changed this policy voluntarily in 2013 at the behest of the agency.

On the most important issue, that of Google's prized search engine, the FTC report said Google altered it to benefit its own services at the expense of rivals. The report said Google "adopted a strategy of demoting, or refusing to display, links to certain vertical websites in highly commercial categories."

In what it termed "a close call," the staff said the FTC shouldn't issue a complaint against the company because of legal hurdles and Google's "strong procompetitive justifications."

The "evidence paints a complex portrait of a company working toward an overall goal of maintaining its market share by providing the best user experience, while simultaneously engaging in tactics that resulted in harm to many vertical competitors, and likely helped to entrench Google's monopoly power over search and search advertising," the staff said.

On Jan. 3, the five FTC commissioners voted to close the investigation. A few months later, now FTC Chairwoman Edith Ramirez told a Senate committee that a majority of commissioners didn't support a case against Google on any of the allegations under investigation.

Ex-Banco Espírito CEO Offers Defense

By Patricia Kowsmann

LISBON—Former **Banco Espírito Santo** SA Chief Executive Ricardo Salgado dismissed findings from an audit conducted into the bank's collapse that pointed the finger at his administration and accused the country's central bank of leading a smear campaign against him.

In his second public appearance since the bank failed in August, Mr. Salgado told a Portuguese parliamentary commission on Thursday that the audit ordered by the Bank of Portugal and conducted by Deloitte lacked proof and relevant information for many of its conclusions, which were incomplete and mostly wrong, he said. Mr. Salgado also accused the central bank of releasing only parts of the audit and of omitting four pages of disclaimers from Deloitte about the limitations of the audit.

He repeated many of his statements from his first hearing in December, saying decisions from the country's central bank—and not his management—led to the bank being bailed out and broken up in the summer. "I will keep defending myself to the end," Mr. Salgado told lawmakers. He said he regretted that people were hurt by the lender's collapse, including clients, shareholders and bank employees.

Banco Espírito Santo's woes were triggered by problems at its parent, **Espirito Santo International** SA, which was found to be in serious financial trouble after hiding several billions in debt from its accounts. Mr. Salgado, the patriarch of the Espirito Santo family, sat on the board of Espirito Santo International, which has since become insolvent.

Once Portugal's central bank identified Espirito Santo International's problems, in late 2013, it imposed a series of rules to protect the bank, which at that point was a lender to its parent and seller of its debt. Nonetheless, Banco Espírito Santo had to be rescued and broken up in August last year, after reporting high losses over its exposure to Espirito Santo International and related entities.

At the time, Bank of Portugal Governor Carlos Costa said the bank had "developed a fraudulent funding scheme between the companies belonging to the group" to prop up the troubled group.

Mr. Costa then ordered a forensic audit into the bank. The audit, conducted by Deloitte and partly released earlier this month, identified more than 20 instances where Banco Espírito Santo's management possibly broke rules established by authorities to protect the lender from its parent.

For instance, it found that the bank continued to increase its exposure to Espirito Santo entities. The lender also used an "escrow account" opened by Espirito Santo International to reimburse retail clients who had invested in its debt to pay back non-retail customers, including to repay loans provided by two Portuguese banks.

Mr. Salgado, who has previously denied any wrongdoing, dismissed those findings. He said the bank increased its exposure only to financial entities of the group, which he said was allowed. He also said the loans given by the two banks were actually used to repay retail clients.

Mr. Salgado said he couldn't comment on another part of the audit, which focused on the bank's Angolan operations, because that was released two days ago.

The audit found serious problems at the internal controls of Banco Espírito Santo, which, for example, allowed it to increase financing to its troubled Angolan unit without formal authorization. The audit pointed to possible deficiencies in money-laundering controls and identified instances when money from the bank in Angola was transferred to offshore vehicles whose beneficial owners were Banco Espírito Santo managers. Mr. Salgado said he never received money from the Angolan bank.

The Bank of Portugal and the Portuguese prosecutors' office have opened several investigations into the collapse of the bank and the Espirito Santo group. In parliamentary hearings, several members of the Espirito Santo family said the group had a centralized power in the figure of Mr. Salgado.Mr. Salgado dismissed that on Thursday. "I don't have everything to do with everything, as it has been suggested many times," he said.

Chanel is lowering handbag prices in China while raising them in Europe, in a bid to thwart the gray market for its brand.

European Pressphoto Agency

As Chanel Cuts Prices, Will Brand Get Boost?

By Wei Gu

Chanel's bold move to fight against the gray market by cutting its prices in China might boost its brand value globally in the long run.

ANALYSIS

In Hong Kong, where luxury-goods stores are lined up shoulder to shoulder, something incredible happened this week. Chanel dropped the price of its signature flap bag by $1,400. Prices of the same bag also fell by $1,300 in mainland China.

Shoppers, who had only ever seen prices of luxury goods go up, crowded into stores to grab the bargain bags, now costing just $4,400 in Hong Kong and $4,800 in China.

To see deflation in luxury goods is extraordinary because brands have carefully orchestrated price increases every year to create an impression that their goods will at least hold their value over time. Pricing power has been a big source of pride and image. A luxury-fashion executive at another French company in China said he would rather starve to death than follow Chanel.

There's a lot of fat to be trimmed though. Luxury brands' Hong Kong and China stores have had the highest global profitability because of the high prices they charge, according to Morgan Stanley analysts. But Beijing's corruption crackdown has hit spending on everything from lavish banquets to gambling junkets and expensive handbags.

Price realignments can be painful financially. Higher sales volume in China for now might not make up for lost profit due to the price cuts. Meanwhile, price increases in Europe risk hurting sales to European consumers.

"Chanel is very bold to do this, because it will hurt their profits in the short to midterm," said Emmanuel Hemmerle, a Shanghai-based luxury consultant. "But it makes sense from a brand-equity standpoint. As a private company, and with their DNA, Chanel cares immensely about it."

Chanel is increasing its prices in Europe by around 20%, and it said it won't allow price differences to exceed 10% in the future. In February, **Patek Philippe** lowered watch prices by 7% in Hong Kong. **LVMH**'s midprice watch brand TAG Heuer has followed with price cuts in China, Hong Kong and other markets.

Chanel and Patek Philippe are responding to more savvy consumers who are comparing prices in real time on mobile phones and social networks. The brands realize they must take unconventional measures to prevent online sales by unauthorized dealers.

Chanel and Patek Philippe realize they must take steps to prevent online sales by unauthorized dealers.

Online markets create confusion, and customers who buy there run the risk of ending up with a fake. To block gray-market sellers, luxury brands limited the number of bags a customer could purchase in stores, installed cameras and hired security guards to catch scalpers paying locals to buy the bags. However, the gray market still flourished.

"There is no way to go against that but to have the prices aligned," Bruno Pavlovsky, Chanel's president of fashion told Women's Wear Daily. After the adjustment, a Chanel Le Boy handbag is just 5% more expensive in China than in France, enough to squeeze out scalpers.

More than half of Chinese luxury spending takes place abroad, according to consulting firm McKinsey. That's frustrating for brands that have splurged on fancy new stores in China. Buying only when traveling to Europe means such consumers will visit their stores in China less frequently. Brands also run the risk of appearing to overcharge in China, and creating anxiety among price-sensitive shoppers.

Luxury goods have typically been 30% to 40% more expensive in China than in Europe, but the gap has widened to 50% to 80%. The European luxury market thrived as a result, despite the economic downturn.

Although the yuan has risen by 46% against the euro since 2011, luxury brands have been slow to adjust prices. They used to get away with high prices in China, when demand was inflated by corporate gifting. But last year marked the first time China's overall luxury spending declined, according to Bain Consulting. Sales of jewelry, watches and valuable gifts fell 21% in Hong Kong this January, compared with a year earlier.

For luxury brands that don't cut prices in China, the pressure will continue. A Gucci Jackie canvas shoulder bag costs 82% more in Beijing than in Paris. A Louis Vuitton monogram Speedy 30 handbag is sold for about 65% more in China than in France.

"Many brands will one day have to align their prices in the world in order to reduce the differences between the different countries and currencies," said Jean-Claude Biver, head of watchmaking at **LVMH Moët Hennessy Louis Vuitton**, home to brands such as Louis Vuitton, Fendi, Moët et Chandon and Bulgari, adding that its upscale watch brand Hublot has kept price differences within 10%.

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INTERNATIONAL NOTICES

THE HIGH COURT OF IRELAND
COMMERCIAL
Record No. 2015/76 COS

IN THE MATTER OF ACTAVIS PUBLIC LIMITED COMPANY

AND IN THE MATTER OF THE COMPANIES ACTS 1963 TO 2013

AND IN THE MATTER OF A PROPOSED REDUCTION OF CAPITAL PURSUANT TO SECTION 72 OF THE COMPANIES ACT 1963

NOTICE IS HEREBY GIVEN that an Order of the High Court of Ireland made on 13 March 2015 (the "**Order**") confirming the reduction of the share capital of Actavis Public Limited Company (the "**Company**"), together with the minute approved by the High Court of Ireland setting out the reduction of the Company's share capital, by an amount of US$5,790,150,304.26 was registered by the Registrar of Companies on 13 March 2015. This notice is given in compliance with the Order.

Dated: 20 March 2015

Signed: ARTHUR COX
Solicitors for the Company
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland
(Ref: CCM/DTB)

THE WALL STREET JOURNAL.

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BUSINESS & FINANCE

Brent Benchmark Without Brent

Continued from page 15

rica, Central Asia and—if you stretch it a bit—even from Brazil," he said.

The looming disappearance of oil from the Brent field comes as the benchmark faces pressure on other fronts: The European Commission is continuing an antitrust probe into the trading activity that sets the price, and competing benchmarks from Dubai and Russia are trying to move into Brent's turf.

Losing the Brent field, or even all production from the North Sea, may not change the benchmark's name or its viability. Investor interest has grown, with trading volumes of Brent futures on London's Intercontinental Exchange more than doubling since 2009 to more than a million contracts a day. The ICE made $231 million from Brent trade last year, more than double the figure of $111 million in 2009.

Experts said Brent would remain an important yardstick for businesses and consumers. Airlines use the Brent futures market to hedge their exposure to oil-price fluctuations. The benchmark is used by businesses, such as refineries, to price the crude they process into gasoline and diesel, influencing prices at the pump.

"There is a huge market based on the various Brent quotes and everybody complains about the way in which Brent quotes are established—or not—but up to now, nobody has come up with any viable or credible alternative," said Dario Scaffardi, executive vice president and general manager at Italian refinery Saras SpA.

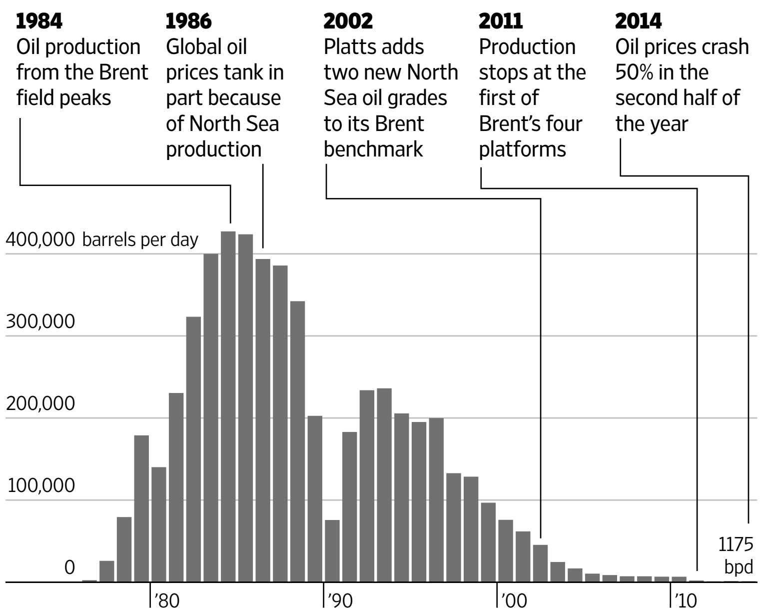
Much of the crude oil Saras processes into refined products is priced against the Brent benchmark. It uses the futures market to help hedge its exposure to fluctuations in the crude price.

Discovered in 1971, the Brent field pumped around half a million barrels of crude oil a day at its peak. By the late 1980s, Brent was seen as the primary oil-price gauge because it was one of the largest oil fields with access to Europe, where private companies drove the industry and not state-owned monopolies, such as in the Middle East.

Dwindling output from the North Sea has meant fewer deals involving its crude oil, making it harder to use the oil to establish a representative price.

Long Goodbye

Brent production has been declining since the mid-1980s.



Source: U.K. Department of Energy & Climate Change THE WALL STREET JOURNAL.

Even after Platts added crude from three other non-Brent North Sea fields to produce its assessment, production from that group fell to 871,000 barrels a day in January, down from 1.5 million in the same month of 2009, data from consultancy Energy Aspects show.

Fewer barrels could make it easier for a small group of rogue traders to manipulate the market.

"As an industry, we need to be better at working together to resolve issues like Brent," said Ian Taylor, chief executive of the Vitol Group, the world's biggest independent oil trader. "The Brent benchmark should be representative of the broader physical market and widening the range of crudes would help achieve this."

The European Commission's probe was sparked by concerns that the oil price set by organizations like Platts may be susceptible to manipulation. Platts monitors the activity in the market to calculate the price of Brent on a daily basis.

"We welcome a broader conversation in the EU about benchmarks," Platts's Mr. Montepeque said.

Other benchmarks are looking to take advantage while Brent is under scrutiny, but there are challenges to the upstarts.

A Russian benchmark using crude from the Urals region has been delayed because of the conflict with Ukraine. The reach of the primary U.S. price gauge, West Texas Intermediate—or WTI—is limited because it is linked to a landlocked storage hub in Cushing, Okla., and because of the U.S. ban on crude-oil exports.

The Dubai Mercantile Exchange has a benchmark that blends oils from Dubai and Oman, and is used by major producers including Saudi Arabia, the world's largest oil exporter. Launched in 2007, trading volumes have increased rapidly, jumping more than 30% last year compared with 2013. But volumes remain a fraction of those of Brent.

"We're still the baby of the crude-oil market," Owain Johnson, chief product officer of DME, said in an interview.

Seth Kleinman, chief energy strategist at **Citigroup** Inc. in London, called Brent a "broken benchmark" with no clear alternatives.

"Brent is like democracy," he said. "It's the worst option except for all the others."

Push to Join Shale Boom Falters Outside U.S.

Continued from page 15

resources. Then, in January, Chevron said it had decided to leave Poland.

"Shale-gas opportunities across Central and Eastern Europe do not compete with other opportunities within Chevron's global portfolio," a spokeswoman said. The company is still evaluating shale-gas exploration in South Africa, a spokesman said..

ConocoPhillips is the only large oil company still working in Poland.

Exxon had similar letdowns in Hungary, which it left in 2009, and Poland, which it exited in 2012. Exxon's efforts in Germany have been thwarted by a fracking moratorium, and Western sanctions over Ukraine have kept it and other international oil companies from developing Russian shale.

Now, an Exxon spokesman says, the company's only continuing non-North America shale exploration is in Argentina and Colombia.

One problem the companies have faced is the high cost of shale drilling outside the U.S. when oil prices are low. Exploration wells in new areas require experimentation and lack the economies of scale in a more developed area. Wells in Poland and China can cost up to $25 million each, while American wells on average cost about $5 million, said Melissa Stark, lead author of a 2014 shale report by Accenture LLP.

One problem the companies have faced is the high cost of shale drilling outside the U.S. when oil prices are low.

Shell first discussed shale exploration with Chinese officials in 2006, said people familiar with the matter. At the time, the Anglo-Dutch company was looking for shale resources around the world, and struck deals in Sweden, Turkey, Russia and Ukraine.

The Ukraine conflict and resulting sanctions derailed plans in Russia and Ukraine. Shell left Sweden in 2011 after exploration was unsuccessful. A spokeswoman for Shell said the company is analyzing the results of wells drilled with a partner in Turkey, and is waiting to hear from the South African government about proceeding with shale projects there.

In China, Shell found shale gas in 2011. But problematic geology, infrastructure and local protests delayed progress, company officials and documents say. Last fall, Shell decided to pull back efforts there.

Ms. Stark of Accenture said countries with strong national oil companies such as China, Argentina and Saudi Arabia were more likely to lead shale development outside the U.S. They have a mandate to extract their countries' resources, government support, and lots of money. "You need a player with deep pockets and who can be there for several years," she said. State-run companies "are there for the long term so they can invest for the long-term."

Risky Government Borrowers Line Up To Offer Bond Sales

By Ben Edwards

Some of the world's riskiest government borrowers rushed to sell bonds on Thursday, taking advantage of investors' interest in higher-yielding assets at a time global interest rates are at record lows.

Armenia, Bulgaria and Ecuador all lined up to sell debt. Despite the countries' poor credit ratings, and the fact that Ecuador recently defaulted on its debt, the higher yields on offer proved attractive for investors because the returns available in much of the steadier end of the bond market are so slender.

"If there's any point this year when you go for it, now is the time," said Simon Quijano-Evans, an emerging-market analyst at **Commerzbank**. "There is very little supply of emerging-market sovereign debt out there, so these deals will find strong demand because of the high liquidity that's out there."

Armenia, whose debt is rated as below investment grade, or junk, sold a $500 million 10-year dollar bond for only the second time on record, paying a yield of 7.5%.

Bulgaria, which is rated one notch above junk by Fitch Ratings and one level below investment grade by Standard & Poor's Corp., raised €3.1 billion ($3.37 billion) from three lots of euro bonds maturing in seven, 12 and 20 years. Those bonds priced to yield 2.179%, 2.732% and 3.264%, respectively. Investors placed combined orders of around €5.5 billion, a banker managing the sale said.

In addition, junk-rated Ecuador, which met with bond buyers about a potential deal last week, is seeking to sell a five-year dollar bond at a yield of around 10.5%. That is sharply higher than the 7.95% Ecuador paid for 10-year money when it returned to the bond market in June last year for the first time since it defaulted on its debts in 2008.

Junk-rated, or high-yield, bonds pay a higher interest rate than borrowers with investment-grade ratings to compensate investors for the increased risk.

Before Thursday's deals, emerging-market borrowers had raised $31 billion from global bond sales so far this year, about a fifth less than at this stage 12 months ago, according to Dealogic. Such borrowers raised a record $114 billion in the whole of 2014, the data show.

That rush to sell debt last year is allowing riskier countries to issue bonds now because there are fewer competing debt sales on offer, Mr. Quijano-Evans said. "It wouldn't surprise me to see a whole lot of less frequent borrowers come to market," he said.

To be sure, the latest crop of deals is causing some investors to be cautious.

"The need to be discerning is as strong as it's ever been; you have to be very selective with which deals you get involved with," said Mark Baker, a fund manager at Standard Life Investments.

Bulgaria's bumper bond sale is its first since last June when it sold almost €1.5 billion of 10-year notes. Thursday's sale is the latest in a string of longer-dated bonds sold in euros. Italy and Slovenia this week issued debt that won't mature until 2032 and 2035.

Armenia's deal followed a week of sales pitches to investors in London and the U.S. as it raised cash partly to buy back about $200 million of its existing bonds.

"With the prospect of U.S. interest rates rising and given a generally uncertain market outlook, Armenia acted prudently raising external funding now," said Stefan Weiler, head of debt capital markets for central and Eastern Europe and sub-Saharan Africa at **J.P. Morgan Chase** & Co., one of the banks managing the country's debt sale.

Elsewhere in emerging markets, Peru—which is ranked three notches above junk by Standard & Poor's and Fitch—reopened its 2050 dollar bonds on Thursday. Those bonds currently yield about 4.7%, according to Tradeweb.

Deutsche Bank AG, HSBC Holdings PLC and J.P. Morgan were the banks managing Armenia's bond sale. **Citigroup** Inc., HSBC, **Société Générale** SA and UniCredit SpA were managing Bulgaria's sale. **BBVA**, Deutsche Bank and **Morgan Stanley** were managing the Peru deal.

Citigroup was managing Ecuador's deal.

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Banks Face Big Hit on Oil Loans

By Matt Wirz
And Gillian Tan

Citigroup Inc., **Goldman Sachs Group** Inc., **UBS** AG and other large banks face tens of millions of dollars in losses on loans they made to energy companies last year, a sign of investor jitters in a sector battered by the oil slump.

The banks intended to sell the loans to investors but have struggled to unload them even after cutting prices, thanks to a nine-month-long plunge that has taken Nymex crude futures to their lowest level since 2009.

The losses mark a setback for Wall Street, after global banks earned $31 billion in fees over the past five years by financing energy-company stock sales, borrowing and mergers-and-acquisition transactions, according to Dealogic.

Wall Street's losses on the loans could have a chilling effect on some oil companies' ability to fund their operations as investors take a more cautious view of the sector.

"We've been pretty shy about dipping back into the energy names," said Robert Cohen, a loan-portfolio manager at DoubleLine Capital who passed on some loans Citi was trying to sell. "We're taking a wait-and-see attitude."

Energy-sector deals have been a bright spot at a time when once-lucrative businesses, such as fixed-income trading and consumer lending, are flagging thanks to tighter rules, low interest rates and uneven economic growth, analysts said.

Investors say the energy bust doesn't pose a great risk to the banks akin to 2007-2008, when they held hundreds of billions of dollars of souring mortgages and corporate loans.

"We often go through these periods," said Sherif Hamid, vice president of high yield at **AllianceBernstein** LP, who helps oversee $35 billion of investments. "We saw it in Europe during the sovereign crisis where banks needed to sell at prices where buyers were willing to step in, even if it meant taking a loss, but it doesn't mean the market is closed."

At the same time, Wall Street hasn't struggled to place so many corporate loans at once since credit markets seized up in 2007, when banks were stuck with more than $150 billion of so-called leveraged loans to companies with credit ratings below investment grade.

Banking regulators have repeatedly sounded alarms about lax lending standards and are proposing to force banks to submit their loan portfolios more frequently for risk exams.

The losses show the danger banks face when unforeseen events, like the sharp drop in oil prices, create a chain reaction across an industry.

Investment banks helped fuel the oil-and-gas exploration boom of the past decade by making loans valued at about $1 trillion to companies in the energy industry, most of which they sold to investors.

The banks sold much of the debt to loan mutual funds, which grew rapidly from 2011 to 2013, but that demand dwindled as individual investors yanked $35 billion from the funds over the last 12 months, according to S&P Capital IQ LCD.

In June, Citigroup committed to a $1.3 billion loan backing an acquisition for Houston-based **C&J Energy Services** Inc. When Citi tried to sell the loan in November with **Bank of America** Corp., **J.P. Morgan Chase** & Co. and **Wells Fargo** & Co., investors balked.

The banks held off for several months, hoping that oil prices would rebound. Instead, Nymex crude prices hit a fresh low this week. A spokesman for C&J declined to comment.

When oil prices dropped further in March, the banks decided to cut their losses and approached hedge funds that specialize in distressed debt about buying a smaller $1.05 billion loan, people familiar with the matter said.

The banks offered the C&J loan at about 85 cents on the dollar this week.

If they sell the entire loan at that price, they will raise about $893 million, leaving a funding gap of $157 million.

About half of the shortfall would be offset by fees and wiggle room the banks prenegotiated with C&J, leaving the banks with a loss of about $80 million, said people familiar with the matter.

"We saw this in 2008," said Frank Ossino, a loan-fund manager at Newfleet Asset Management. "The clearing price is between where investors value the loans and where banks are willing to take the loss."

The loans that haven't been sold could yet recover value if the market turns around.

Most of the loans that banks are struggling to sell funded acquisitions of companies that provide services to oil producers and are the first to see revenue decline when drilling slows.

C&J provides equipment for hydraulic fracturing, or fracking, and used its loan to help pay for the purchase of a similar business from Nabors Industries Ltd.

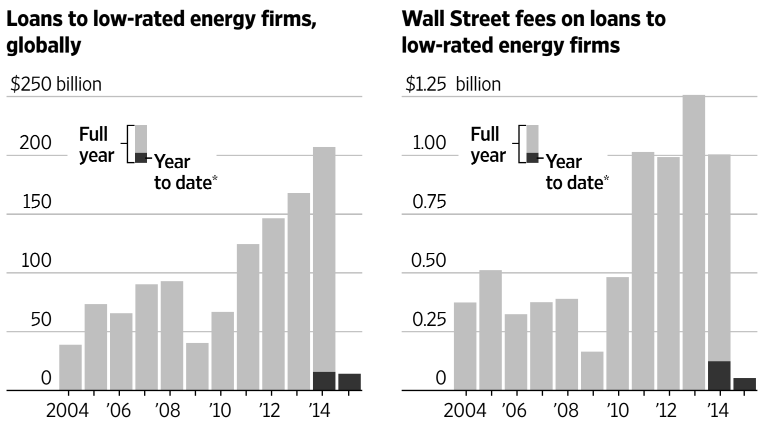
Houston-based **Express Energy Services** borrowed $220 million in October from a group of banks led by UBS and Goldman Sachs to pay for a so-called leveraged buyout by **Apollo Global Management** LLC.

The banks tried selling the loan several times before unloading it this week at a price below 65 cents on the dollar, taking a roughly $66 million loss, said a person familiar with the matter.

In February, a $480 million loan also arranged by Goldman and UBS for Scotland-based **Proserv Group** was sold at a price under 80 cents on the dollar after attempts to syndicate the deal in December failed, saddling the banks with about $75 million of losses.

Running Dry

Banks are struggling to find buyers for some loans made to energy companies, following a lending boom that resulted in hefty fees.



*Through Wednesday
Source: Dealogic

THE WALL STREET JOURNAL.

Six Banks To Take Part In Setting Gold Price

By Matthew Cowley

LONDON—Six banks will participate in the auction to set the new electronic gold price that will launch on Friday, according to **Intercontinental Exchange** Inc., which manages the new platform.

Four of the banks—**Barclays** PLC, **HSBC Holdings** PLC, **Bank of Nova Scotia** and **Société Générale** SA—had participated in the conference call used to determine the daily fixes, a system largely unchanged for nearly a century. The newcomer unveiled by ICE on Thursday is Swiss bank **UBS** AG; ICE said it would disclose the sixth bank on Friday.

The gold market has a daily turnover of about $150 billion, making it the largest precious-metals market. Much of that is carried out in London, the traditional center for metals trading. A wide range of firms, from mining companies to jewelers, use the daily fixes to buy and sell gold.

Gold is the last of the precious metals to make the switch to an electronic platform after investigations showed manipulation of other major global benchmarks such as the London interbank offered rate, or Libor, and currencies.

ICE will manage the gold price on behalf of the London Bullion Market Association, which will hold the intellectual property rights to the fixes. The LBMA Gold Price will be will be set twice daily—at 10:30 GMT and 15:00 GMT—in dollars, euros and sterling.

Ruth Crowell, chief executive of the LBMA, said the new system would improve the transparency of the gold price.

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INTERNATIONAL INVESTMENT FUNDS

Data provided by: MORNINGSTAR®

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	%RETURN YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	08/31	USD	2155.22	NS	NS	NS
BANC INTERNACIONAL D'ANDORRA. BANCA MORA.									
Avgd. Meritxell 96, Andorra la Vella. Andorra. Ph. +376.884884 www.bibm.ad									
Andfs. Anglaterra	UK	EQ	AND	11/16	GBP	8.47	2.8	3.6	14.9
Andfs. Borsa Global	GL	EQ	AND	03/18	EUR	6.51	14.6	-0.2	2.2
Andfs. Emergents	GL	EQ	AND	11/02	USD	14.77	-20.4	-19.2	-4.7
Andfs. Espanya	EU	EQ	AND	03/18	EUR	15.16	11.2	-6.4	20.2
Andfs. Estats Units	US	EQ	AND	03/18	USD	21.00	-7.0	-1.6	9.6
Andfs. Europa	EU	EQ	AND	03/18	EUR	7.54	11.3	-5.0	8.0
Andfs. Franca	EU	EQ	AND	02/24	EUR	10.98	0.2	17.7	13.7
Andfs. Japo	JP	EQ	AND	03/18	JPY	815.71	9.2	28.2	19.2
Andfs. Plus Dollars	US	BA	AND	10/22	USD	9.66	2.3	3.0	6.2
Andfs. RF Dolars	US	BD	AND	03/18	USD	12.52	0.3	2.2	1.1
Andfs. RF Euros	EU	BD	AND	03/18	EUR	12.13	1.0	3.3	2.3
Andorfons	EU	BD	AND	03/18	EUR	15.98	1.5	0.8	2.0
Andorfons Alternative Premium	GL	EQ	AND	12/31	EUR	109.45	16.9	16.9	8.3
Andorfons Mix 30	EU	BA	AND	03/18	EUR	9.57	-6.2	-7.6	-1.8
Andorfons Mix 60	EU	BA	AND	12/19	EUR	8.96	4.4	7.1	-2.5
CG Portfolio Fund Ltd									
NAV	OT	OT	CYM	06/07	GBP	25839.68	5.3	10.9	9.8
CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	OT	OT	MUS	03/13	USD	323131.76	-5.0	-3.9	-12.1
Citadele									
Republikas square 2a, Riga, LV-1522, Latvia									
Citadele Eastern Europ Bal	EU	BD	LVA	03/18	EUR	15.42	1.6	-4.5	-3.2
Citadele Eastern Europ Bd	EU	BD	LVA	03/18	USD	19.21	2.2	-3.1	-2.2
Citadele Russian Eq	EE	EQ	LVA	03/18	USD	12.65	11.3	-27.1	-24.4
DJE INVESTMENT S.A.									
internet: www.dje.lu email: info@dje.lu phone:+00 352 269 2522 0 fax:+00 352 269 25252									
DJE Real Estate P	OT	OT	LUX	03/19	EUR	2.95	0.7	-10.7	-9.1
DJE-Absolut P	OT	OT	LUX	03/19	EUR	301.96	17.5	22.2	11.8
DJE-Alpha Glbl P	OT	OT	LUX	03/19	EUR	217.76	12.7	20.7	9.5
DJE-Div& Substanz P	OT	OT	LUX	03/19	EUR	368.38	17.3	32.7	16.6
DJE-Gold&Resourc P	OT	EQ	LUX	03/19	EUR	126.57	12.9	-1.2	-9.3
DJE-Renten Glbl P	EU	BD	LUX	03/19	EUR	156.98	3.4	7.6	4.9
LuxPro-Dragon I	AS	EQ	LUX	07/20	EUR	144.57	-8.5	5.0	7.6
LuxPro-Dragon P	AS	EQ	LUX	07/20	EUR	140.29	-8.8	4.4	7.0
LuxTopic-Aktien Europa	EU	EQ	LUX	03/19	EUR	23.87	14.2	17.8	12.0
LuxTopic-Pacific	OT	OT	LUX	03/19	EUR	22.17	7.5	10.6	0.9
HERMITAGE CAPITAL MANAGEMENT LTD.									
Tel: +7501 258 3160 www.hermitagefund.com									
The Hermitage Fund	GL	EQ	JEY	03/12	USD	963.12	4.5	105.6	-23.2
HORSEMAN CAPITAL MANAGEMENT LTD.									
T: +44(0)20 7838 7580, F: +44(0) 20 7838 7590, www.horsemancapital.com									
Horseman EurSelLtd EUR	EU	EQ	GBR	02/28	EUR	360.26	NS	NS	NS
Horseman EurSelLtd USD	EU	EQ	GBR	02/28	USD	392.54	NS	NS	NS
Horseman Glbl Ltd EUR	GL	EQ	CYM	02/28	USD	605.47	NS	NS	NS
Horseman Glbl Ltd USD	GL	EQ	CYM	02/28	USD	605.47	NS	NS	NS
HSBC ALTERNATIVE INVESTMENTS LIMITED									
T +44 20 7860 3074 F + 44 20 7860 3174 www.hail.hsbc.com									
HSBC ALTERNATIVE STRATEGY FUND									
Special Opp EUR	OT	OT	GGY	02/27	EUR	131.14	2.4	5.4	9.1
Special Opp Inst EUR	OT	OT	GGY	03/31	EUR	88.51	0.7	-0.3	13.3
Special Opp Inst USD	OT	OT	GGY	03/28	USD	123.18	4.2	18.5	10.6
Special Opp USD	OT	OT	GGY	02/27	USD	138.65	2.5	5.4	9.1
HSBC Portfolio Selection Fund									
GH Fund CHF Hdg	OT	OT	GGY	02/27	CHF	133.17	1.7	5.4	6.0
GH Fund EUR Hdg (Non-V)	OT	OT	GGY	02/27	EUR	148.89	1.9	5.8	6.0
GH Fund GBP Hdg	OT	OT	GGY	02/27	GBP	165.23	1.9	6.3	6.5
GH Fund Inst USD	OT	OT	GGY	02/27	USD	143.03	2.0	6.6	7.0
GH FUND S EUR	OT	OT	CYM	02/27	EUR	167.97	2.1	7.2	7.4
GH FUND S GBP	OT	OT	CYM	02/27	GBP	176.40	2.1	7.5	7.6
GH Fund S USD	OT	OT	CYM	02/27	USD	197.40	2.1	7.2	7.5
GH Fund USD	OT	OT	GGY	02/27	USD	338.14	1.9	5.9	6.2
Hedge Investments	OT	OT	GGY	08/16	USD	158.48	NS	NS	3.6
Leverage GH USD	OT	OT	GGY	02/27	USD	164.14	3.5	9.8	10.5
MultiAdv Arb CHF Hdg	OT	OT	JEY	02/27	CHF	104.24	0.2	3.3	3.2
MultiAdv Arb EUR Hdg	OT	OT	JEY	02/27	EUR	117.09	0.7	4.0	3.7
MultiAdv Arb GBP Hdg	OT	OT	JEY	02/27	GBP	128.30	0.9	4.6	4.2
MultiAdv Arb S EUR	OT	OT	JEY	02/27	EUR	133.39	0.8	4.9	4.8
MultiAdv Arb S GBP	OT	OT	JEY	02/27	GBP	141.34	0.9	5.3	5.1
MultiAdv Arb S USD	OT	OT	JEY	02/27	USD	152.40	0.8	4.9	4.8
MultiAdv Arb USD	OT	OT	JEY	02/27	USD	221.52	0.7	4.1	3.9
HSBC Uni-folio									
Asian AdbantEdge EUR	OT	EQ	JEY	06/30	EUR	91.36	-6.2	-4.5	2.5
Asian AdvantEdge	OT	EQ	JEY	06/30	USD	171.19	-6.2	-4.4	2.8
Emerg AdvantEdge	OT	EQ	JEY	09/28	USD	151.22	3.4	-2.4	-5.5
Emerg AdvantEdge EUR	OT	EQ	JEY	09/28	EUR	82.99	2.8	-3.0	-5.9
Europ AdvantEdge EUR	OT	EQ	JEY	06/30	EUR	127.84	-3.4	-1.3	2.2
Europ AdvantEdge USD	OT	EQ	JEY	06/30	USD	135.07	2.0	4.3	5.1
Real AdvantEdge EUR	OT	OT	JEY	04/30	EUR	104.69	1.3	-9.5	-1.9
Real AdvantEdge USD	OT	OT	JEY	04/30	USD	105.31	1.5	-8.8	-1.7
Trading AdvantEdge	OT	OT	GGY	02/27	USD	154.27	2.1	21.8	4.0
Trading AdvantEdge EUR	OT	OT	GGY	02/27	EUR	139.88	2.1	22.2	4.2
Trading AdvantEdge GBP	OT	OT	GGY	02/27	GBP	149.38	2.0	22.2	4.2
HSBC Trinkaus Investment Managers SA									
E-Mail: funds@hsbctrinkaus.lu									
Telephone: 352 - 47 18471									
HSBC Trinkaus Golden Opportunities	OT	OT	LUX	03/18	USD	54.73	-0.4	-35.7	-30.6
Prosperity Return Fund A	JP	BD	LUX	12/06	JPY	8577.68	-9.3	-8.4	0.3
Prosperity Return Fund B	EU	BA	LUX	12/06	JPY	9032.12	4.6	11.0	13.2
Prosperity Return Fund C	EU	BA	LUX	12/06	USD	79.01	-12.2	-11.1	-1.0
Prosperity Return Fund D	EU	BA	LUX	12/06	EUR	121.37	-9.0	-8.8	8.1
Renaissance Hgh Grade Bd A	EU	BA	LUX	12/06	JPY	10807.34	3.5	5.1	11.3
Renaissance Hgh Grade Bd B	EU	BA	LUX	12/06	JPY	11130.39	17.9	25.6	23.9
Renaissance Hgh Grade Bd C	EU	BA	LUX	12/06	USD	96.94	-0.9	0.7	8.4
Renaissance Hgh Grade Bd D	EU	BA	LUX	12/06	EUR	102.83	-4.6	-4.1	6.9
MP ASSET MANAGEMENT INC.									
Tel: + 386 1 587 47 77									
MP-BALKAN.SI	EE	EQ	SVN	08/12	EUR	19.29	-1.9	-8.4	-10.9
MP-TURKEY.SI	OT	OT	SVN	03/18	EUR	43.02	-5.9	33.7	-9.5
MERIDEN GROUP									
Tel: + 376 741 175 Fax: + 376 741 183 Email: meriden@meriden-ipm.com									
Antanta Combined Fund	EE	EQ	AND	02/20	USD	166.78	5.8	-20.0	-21.4
Antanta MidCap Fund	EE	EQ	AND	02/20	USD	166.68	9.5	-52.8	-36.8
Meriden Opps Fund	GL	OT	AND	02/05	EUR	22.68	0.0	-11.2	-11.0
Meriden Protective Div	GL	EQ	AND	11/24	EUR	NS.00	-2.8	NS	NS
POLAR CAPITAL PARTNERS LIMITED									
International Fund Managers (Ireland) Limited PH - 353 1 670 660 Fax - 353 1 670 1185									
Global Technology	OT	EQ	IRL	03/18	USD	25.55	5.2	7.1	17.7
Japan Fund USD	JP	EQ	IRL	03/19	USD	21.66	5.9	8.0	3.9
Polar Healthcare Class I USD	OT	EQ	IRL	03/18	USD	40.39	12.3	19.6	40.7
Polar Healthcare Class R USD	OT	EQ	IRL	03/18	USD	39.36	12.1	18.9	40.0
Hemisphere Management (Ireland) Limited									
Discovery USD A	GL	OT	CYM	12/31	USD	101.35	NS	NS	NS
Elbrus USD A	OT	OT	CYM	02/28	USD	9.12	NS	NS	NS
Europn Conviction USD B	EU	EQ	CYM	01/31	USD	160.39	-3.2	-0.7	0.2
Europn Forager USD B	EU	EQ	CYM	01/31	USD	319.76	-3.3	-1.3	5.0
Latin America USD A	GL	EQ	CYM	06/30	USD	NS.00	NS	NS	NS
Paragon Limited USD A	EU	EQ	CYM	12/31	USD	NS.00	12.7	12.7	14.2
UK Fund USD A	OT	OT	CYM	04/13	USD	157.94	1.8	NS	NS
PT CIPTADANA ASSET MANAGEMENT									
Tel: +6221 25574 883 Fax: +6221 25574 893 Website: www.ciptadana-asset.com									
Indonesian Grth Fund	GL	EQ	BMU	03/11	USD	162.58	-3.9	2.5	-8.3
THE NATIONAL INVESTOR									
PO Box 47435, Abu Dhabi, UAE Web:www.tni.ae									
MENA Special Sits Fund	OT	OT	BMU	02/26	USD	1012.08	4.7	-9.7	-2.2
MENA UCITS Fund	OT	OT	IRL	03/16	USD	1333.23	1.3	-3.8	11.6
UAE Blue Chip Fund	OT	OT	ARE	03/18	AED	9.86	-4.8	-9.4	26.8
OTHER FUNDS									
For information about these funds, please contact us on Tel: +44 (0) 207 842 9694/9633									
Medinvest Plc Dublin	OT	EQ	IRL	09/30	USD	NS.00	NS	1.3	-4.4
WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	GL	OT	CYM	02/27	EUR	1425.23	3.3	20.9	15.2
Winton Evolution GBP Cls G	GL	OT	CYM	02/27	GBP	1447.12	3.3	21.3	15.6
Winton Evolution USD Cls F	GL	OT	CYM	02/27	USD	1812.57	3.2	20.6	15.3
Winton Futures EUR Cls C	GL	OT	VGB	02/27	EUR	294.58	2.8	17.0	11.5
Winton Futures GBP Cls D	GL	OT	VGB	02/27	GBP	321.70	2.8	17.4	11.8
Winton Futures JPY Cls E	GL	OT	VGB	02/27	JPY	20624.60	2.6	17.0	11.8
Winton Futures USD Cls B	GL	OT	VGB	02/27	USD	1049.65	2.7	16.8	11.6

INDICES

FUND NAME	GF	NAV DATE	CR NAV	%RETURN 1-WK	1-MO	1-Q	1-YR	2-YR
ARIX ABSOLUTE RETURN INVESTABLE INDEX								
Feri Institutional Advisors, www.feri.de								
ARIX Composite Gross USD	OT	OT GBR 02/28.00	USD1706.18			1.6	5.1	6.1
CG Portfolio Fund Ltd								
NAV	OT	OT CYM 06/07.00	GBP25839.68			5.3	10.9	9.8

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For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

MARKETS

Bloomberg News

Julian Rifat pleaded guilty to insider trading. He was given 19 months in jail, fined, and ordered to pay prosecution costs.

Ex-Trader Sentenced to Prison

Continued from page 15

By the time of the Oman vacation, in the fall of 2010, Mr. Rifat was on bail and needed permission to take the trip. The FCA only later became aware of how the vacation had been funded.

Mr. Rifat's sentence marks the third victory for the FCA in "Operation Tabernula," the U.K.'s biggest insider-trading investigation, which started more than six years ago. Six more men charged in the investigation are scheduled to stand trial later in the year.

The third man to plead guilty, Paul Milsom, was sentenced to two years in prison in 2013. Mr. Milsom, a former equities trader at Legal & General Investment Management, fed inside information around LGIM's trades to Mr. Shelley, the FCA alleged, but he wasn't linked to Mr. Rifat.

Judge Alistair McCreath said Mr. Rifat had behaved "deliberately and dishonestly." But he said he took into account Mr. Rifat's previously good character and the strong evidence of his role "as a good and loving husband and a good and loving father." Mr. Rifat, a father of three, showed no emotion as the sentence was read.

The judge said he also took into account a late attempt by Mr. Rifat to assist authorities in the U.K. and the U.S. after pleading guilty last fall.

The court heard that Mr. Rifat in recent months had given information to U.S. authorities, including the Justice Department, that could lead to action against an unnamed individual for an unspecified criminal offense. No one at the Justice Department was immediately available to comment.

Central Banks Shake the Currency World

Continued from first page

exchange rate—the world's most heavily traded currency pair—left traders and investors reeling.

"I haven't seen anything like it since the financial crisis," said Paul Lambert, head of currency at Insight Investment, which manages $480 billion of assets.

Traders said Wednesday's move brought back memories of January's surge in the Swiss franc, when the currency climbed more than 40% after the Swiss central bank abandoned its policy of capping the franc's strength against the euro. For a few minutes on Wednesday, the lack of dollar buyers caused a freeze in electronic trading platforms, according to a New York-based trader at a major currency-dealing bank. "There was a lot of shouting on the desk, a lot of nervousness," the trader said.

Deutsche Bank's currency volatility index hit its highest level since 2011 early this year. Short-term investors are behind the choppy moves, piling in and out of markets en masse as they turn, said Bilal Hafeez, a macro strategist at Deutsche Bank. "It seems like everyone is chasing their tail."

To some investors, the increased activity marks a return to normality. "What was abnormal was the very, very low levels of volatility we saw last year with the calming influence of quantitative easing on asset prices," said Tom Clarke, a portfolio manager at **William Blair** & Co., which oversees more than $74 billion. Aside from January's exceptional Swiss franc move, volatility in 2015 hasn't been abnormal, he said.

The shifts have come as the Fed breaks ranks with other central banks and moves toward a rate increase. That has encouraged big bets that the dollar will continue its rise, particularly against the euro, which has fallen as the European Central Bank kicked off a large-scale bond-buying stimulus program. The size of these wagers exaggerated Wednesday's move, as many investors were forced to throw in the towel when the dollar retreated.

"The dollar has been experiencing fastest pace of ascent in 40 years. Our long-term outlook for the euro is still lower, but risk here is for a decent pullback," said Matthew Cobon, head of interest rates and currencies at Threadneedle Investments in London, which has $54.3 billion of assets. Mr. Cobon had bet on a rebound for the euro ahead of Wednesday's Fed meeting.

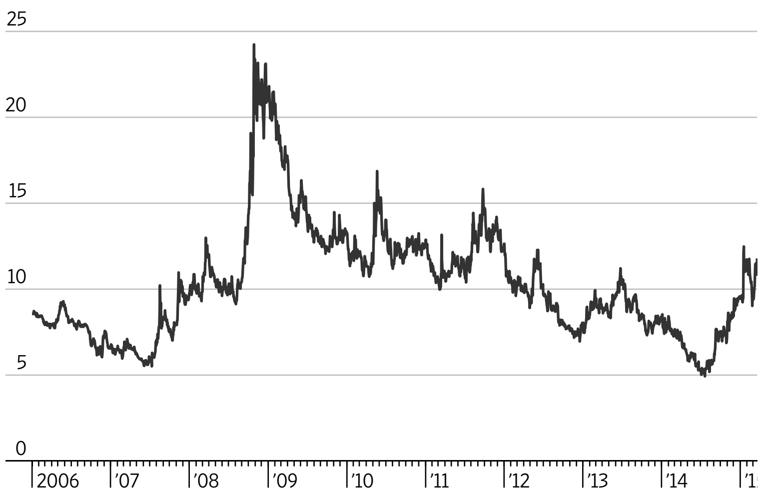
The sharp swings also raise a now-familiar complaint from investors: Regulations brought in after the financial crisis have dried up the liquidity in markets by crimping banks' ability to carry risky bets on their balance sheets.

On Wednesday, the Bank for International Settlements became the latest authority to caution that a lack of liquidity could lead to major disruptions in financial markets.

"When flow hits the market, there's no buffer, so it translates straight into big price moves," said Mr. Lambert at Insight Investment. During the financial crisis, big swings were sparked by fears of a collapse of the banking system. Similar moves can now result from a minor reassessment of the Fed's rate-increase plans, according to Mr. Lambert.

A New Spring in Its Step

Deutsche Bank's currency volatility index hit its highest level since 2011 early this year, and bounced up again in the days leading up to the March 17–18 Fed meeting.



Source: Deutsche Bank

THE WALL STREET JOURNAL.

Dollar Rebounds; Europe Shares Gain

BY JOSIE COX

The dollar bounced back Thursday after a sharp fall a day earlier that was triggered by hesitant signals from the U.S. Federal Reserve, while European shares climbed.

MARKET REPORT

The euro had soared more than 4% on Wednesday, topping $1.10, and the greenback also made steep declines against other currencies, after Fed Chairwoman Janet Yellen indicated the central bank is in no hurry to raise interest rates. The stance caught many investors off guard.

But by late Thursday in New York, the euro had fallen back to $1.0638, while the dollar was also up sharply from its overnight low against the yen.

"If the world was expecting the U.S. dollar to hit parity against the euro yesterday, then it probably still expects as much today," said Paul McNamara, a bond fund manager at GAM, who oversees about $6 billion worth of assets. **Goldman Sachs** last week trimmed its expectations and now sees the euro hitting what would be a record-low $0.80 by the end of 2017.

European stock gains were led by resource companies, which appeared to get a boost from the overnight drop in the dollar. Commodities priced in dollars become more affordable in other currencies when the dollar declines.

The Stoxx Europe 600 rose 0.6% to 400.83. The U.K.'s FTSE 100 gained 0.3% to 6962.32. France's CAC 40 edged up 0.1% to 5037.18.

But Germany's DAX fell 0.2% to 11899.40, hurt by a 4.2% drop in **Siemens** following reports that the engineering firm's chief executive has said second-quarter operating profit will be softer than anticipated.

Among resource gainers, precious-metals miner **Fresnillo** surged 5.4% and **Randgold Resources** picked up 3.2%, rising alongside most metals prices.

Gold for March delivery gained $17.70 an ounce, or 1.5%, to $1,169.10 on the Comex division of the New York Mercantile Exchange.

Nymex crude oil for April delivery fell 70 cents, or 1.6%, to $43.96 a barrel. Brent, the global benchmark, fell $1.48, or 2.65%, to $54.43 a barrel on ICE Futures Europe.

A global glut of crude sent prices plummeting in the second half of 2014, and analysts estimate the market is currently oversupplied by between one million and 1.5 million barrels a day.

The fall in oil prices weighed on U.S. energy shares, which were among the top decliners Thursday as the U.S. market retreated following big gains Wednesday.

The Dow Jones Industrial Average fell 117.16 points, or 0.7%, to 17959.03, while the S&P 500 index lost 10.39 points, or 0.5%, to 2089.11. The Nasdaq Composite Index, however, rose 9.55 points, or 0.2%, to 4992.38.

The S&P 500 Energy Index was down 1.6% in late trading.

Shares of **Apple** gave up early gains to close down 0.8% on its first day of trading as a Dow component. Shares of **AT&T**, replaced by Apple in the Dow, fell 1.1%.

Some investors said the Fed's caution on interest rates bodes well for stocks. Michael Ball, portfolio manager at Weatherstone Capital Management, which oversees $785 million, said the Fed's actions on Wednesday have helped ease fears of an imminent rate rise.

"I think that Janet Yellen played it masterfully," he said. "They've given themselves more wiggle room than they have in the past."

Mr. Ball said he recently sold out of his position in energy stocks, amid the steep slide in oil prices. He boosted his weighting in transportation and technology shares instead.

Shares of **Target** fell 0.6% after the retailer announced plans to boost the pay of all its workers to at least $9 an hour starting next month, following similar moves by rivals **Wal-Mart Stores** and **TJX**.

—Carla Mozee contributed to this article.

Fund Scorecard

Global Emerging Markets Bond

Funds dedicated to fixed income securities issued in emerging market countries Most funds will invest in several currencies or countries. Ranked on % total return (dividends reinvested) in Euros for one year ending March 19, 2015

Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US** YTD	1-YR	2-YR	5-YR
NS	**ING(L) Renta** Frontier MktsDbt(HCcy)I$Acc	ING Investment Management Luxembourg S.A	USD	LUX	**14.38**	39.05	NS	NS
5	**First State** Emerging Markets Bond I	First State Investments (Hong Kong) Ltd	USD	IRL	**14.76**	38.53	12.60	NS
4	**Stone Harbor** IF Invmt Grd EmMkts Dbt I$	Stone Harbor Investment Partners LP	USD	IRL	**14.00**	37.95	10.45	NS
4	**JPM Emerg** Mkts Inv Grd Bd A $ Acc	JPMorgan Asset Mgmt (Europe) S.a.r.l.	USD	LUX	**13.80**	37.89	11.57	NS
5	**iShares JP** Morgan $ Emerging Mkts Bd	BlackRock Asset Management Ireland - ETF	USD	IRL	**15.13**	37.83	11.91	11.49
4	**WIP Emerg** Mkts Fix Inc A USD Inc	Oppenheim Asset Mgmt Services S.à r.l.	USD	LUX	**14.20**	37.35	11.50	11.46
NS	**Nordea-1** Emerging Market Bond BI EUR	Nordea Investment Funds S.A.	EUR	LUX	**14.91**	37.28	11.81	NS
3	**Jyske Invest** Emerging Markets Bond	Jyske Invest International	USD	DNK	**14.33**	37.19	10.78	10.17
4	**Ashmore EM** Inv Grade Sovereign Dbt I USD	Ashmore Investment Management Limited	USD	LUX	**14.01**	37.11	10.64	10.36
3	**Global** Investors High Yield Govt Bd	VP Bank (Luxembourg) S.A.	USD	LUX	**11.37**	37.06	12.05	9.74

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
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GLOBAL MARKETS LINEUP

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Region/Country	Index	PREVIOUS SESSION Close	Net change	PERFORMANCE Percentage change	Yr.-to-date	52-wk.
EUROPE	**Stoxx Europe 600**	400.83	2.18	**0.55%**	17.0%	22.3%
	Stoxx Europe 50	3467.13	17.38	**0.50**	15.4	21.9
Euro Zone	**Euro Stoxx**	375.96	0.56	**0.15**	17.6	19.2
	Euro Stoxx 50	3670.73	2.21	**0.06**	16.7	19.3
Austria	**ATX**	2510.19	28.38	**1.14**	16.2	1.6
Belgium	**Bel-20**	3734.35	6.43	**0.17**	13.7	21.1
Czech Republic	**PX**	1042.55	11.69	**1.13**	10.1	5.8
Denmark	**OMX Copenhagen**	824.64	3.19	**0.39**	22.1	31.2
Finland	**OMX Helsinki**	9198.63	63.59	**0.70**	18.6	27.2
France	**CAC-40**	5037.18	3.76	**0.07**	17.9	16.9
Germany	**DAX**	11899.40	-23.37	**-0.20%**	21.4	28.3
Hungary	**BUX**	18915.74	393.32	**2.12**	13.7	11.6
Ireland	**ISEQ**	6076.70	1.30	**0.02**	16.3	24.2
Italy	**FTSE MIB**	22805.17	239.98	**1.06**	20.0	8.1
Netherlands	**AEX**	496.01	-0.62	**-0.12**	16.9	27.5
Norway	**All-Shares**	657.38	-2.84	**-0.43**	6.1	8.0
Poland	**WIG**	54148.48	783.85	**1.47**	5.3	7.5
Portugal	**PSI 20**	5871.55	49.13	**0.84**	22.3	-21.8
Russia	**RTSI**	847.99	6.94	**0.83%**	7.2	-26.3
Spain	**IBEX 35**	11091.00	41.00	**0.37**	7.9	10.0
Sweden	**OMX Stockholm**	550.35	1.88	**0.34**	16.1	26.3
Switzerland	**SMI**	9328.48	72.24	**0.78**	3.8	12.9
Turkey	**BIST 100**	81922.02	1979.75	**2.48**	-4.4	25.5
U.K.	**FTSE 100**	6962.32	17.12	**0.25**	6.0	6.4
ASIA-PACIFIC	**DJ Asia-Pacific TSM**	1511.76	6.08	**0.40**	6.0	8.4
Australia	**SPX/ASX 200**	5950.80	108.50	**1.86**	10.0	12.4
China	**Shanghai Composite**	3582.27	4.97	**0.14**	10.7	79.7
Hong Kong	**Hang Seng**	24468.89	348.81	**1.45**	3.7	15.5
India	**S&P BSE Sensex**	28469.67	-152.45	**-0.53%**	3.5	31.0
Japan	**Nikkei Stock Average**	19476.56	-67.92	**-0.35**	11.6	36.9
Singapore	**Straits Times**	3386.16	24.41	**0.73**	0.6	10.8
South Korea	**Kospi**	2037.89	9.44	**0.47**	6.4	6.2
AMERICAS	**DJ Americas**	513.03	-1.70	**-0.33**	1.2	9.5
Brazil	**Bovespa**	50883.03	-643.16	**-1.25**	1.8	9.3
Mexico	**IPC**	43972.60	-388.27	**-0.88**	1.9	13.3

Note: Americas index data are as of 3:00 p.m. ET.

Sources: SIX Financial Information; WSJ Market Data Group

S&P Dow Jones Indices

Dividend yield*	Price-to-earnings ratio*	S&P Dow Jones Index	PERFORMANCE (euros) Last	Daily	52-wk.	PERFORMANCE (U.S.dollars) Last	Daily	52-wk.
2.26%	20.45	**Global TSM**				3381.58	**0.04%**	5.2%
2.79	18.19	**Global DOW**	2239.00	**-0.16%**	33.7%	2531.24	**-0.15**	3.2
2.76	16.75	**Global Titans 50**	300.98	**-0.26**	35.1	239.29	**-0.25**	4.3
2.98	22.03	**Dev Europe TSM**				3211.31	**0.53**	-5.5
2.21	21.22	**Developed Markets TSM**				3425.74	**-0.02**	5.5
2.64	15.61	**S&P BMI Emg Markets**				249.54	**0.65**	3.3
3.14	21.91	**S&P Europe 350**	1637.84	**0.52**	22.9	1564.99	**0.31**	-5.3
2.78	24.85	**S&P Euro**	1608.15	**0.13**	20.1	1557.25	**-0.09**	-7.4
3.57	22.42	**Europe Dow**	1598.59	**0.25**	14.9	1803.59	**0.06**	-11.4
2.98	11.37	**BRIC 50**	493.50	**0.46**	41.9	500.84	**0.48**	9.6
1.86	22.19	**U.S. TSM**				21920.42	**-0.31**	10.9
3.17	21.10	**DJ Global Select RESI**				3734.13	**0.63**	17.5
		Turkey Titans 20 -c				822.77	**2.55%**	23.3%
4.93%	18.19	**Global Select Div**				237.54	**0.31**	-5.6
5.30	17.78	**Asia/Pacific Select Div**	341.22	**1.53%**	22.8%	310.22	**1.34**	-5.4
		U.S. Select Dividend -d				1416.58	**-0.53**	12.5
3.33	20.28	**S&P Glb Nat Resources**	2191.16	**-0.48**	13.7	2317.24	**-0.47**	-12.2
1.96	21.14	**Islamic Market**				2951.13	**0.07**	7.2
2.28	18.66	**Islamic Market 100**				3270.62	**0.08**	9.2
		Islamic Turkey -c				4352.26	**0.38**	8.8
3.16	20.52	**Sustainability Europe**	132.98	**0.47**	23.4	155.29	**0.28**	-4.9
3.56	39.20	**S&P Glb Infrastructure**	2012.83	**-0.08**	33.1	2420.15	**-0.08**	2.8
1.92	18.51	**Luxury**				1985.13	**0.08**	-1.5
		DJ Commodity				531.52	**-0.60**	-25.6

*Fundamentals are based on data in U.S. dollar. Footnotes: a-in US dollar. b-dividends reinvested. c-in local currency. Note:All data as of 2 p.m.ET.

Source: S&P Dow Jones Indices

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	USD	GBP	CHF	SEK	RUB	NOK	JPY	ILS	EUR	DKK	CDN	AUD
Australia	1.3116	1.9338	1.3226	0.1509	0.0218	0.1621	1.0845	0.3247	1.3961	0.1820	1.0298	...
Canada	1.2738	1.8779	1.2844	0.1465	0.0212	0.1574	0.0105	0.3154	1.3557	0.1874	...	0.9711
Denmark	6.9992	10.3168	7.0574	0.8053	0.1164	0.8647	5.7949	1.7329	7.4503	...	5.4948	5.3357
Euro	0.9395	1.3851	0.9472	0.1081	0.0156	0.1161	0.0078	0.2326	...	0.1342	0.7376	0.7162
Israel	4.0390	5.9545	4.0724	0.4646	0.0671	0.4989	0.0334	...	4.2989	0.5771	3.1710	3.0793
Japan	120.9390	178.3000	121.9400	13.9130	2.0107	14.9400	...	29.9430	128.7300	17.2791	94.9473	92.2000
Norway	8.0952	11.9328	8.1616	0.9313	0.1346	...	6.6942	2.0043	8.6162	1.1565	6.3545	6.1706
Russia	60.1386	88.6787	60.6490	6.9197	...	7.4305	0.4973	14.8928	64.0085	8.5941	47.2241	45.8597
Sweden	8.6928	12.8138	8.7637	...	0.1445	1.0739	7.1946	2.1522	9.2529	1.2418	6.8244	6.6268
Switzerland	0.9918	1.4622	...	0.1141	0.0165	12.2538	0.0082	0.2456	1.0558	0.1417	0.7786	0.7561
U.K.	0.6783	...	0.6839	0.0780	0.0113	0.0838	0.0056	0.1679	0.7221	0.0969	0.5325	0.5171
U.S.	...	1.4743	1.0083	0.1150	0.0166	0.1235	0.0083	0.2476	1.0645	0.1429	0.7851	0.7624

Source: Tullett Prebon

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI as of March 19, 2015

Dividend yield	Price-to-earnings ratio	MSCI Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	18	**MSCI ACWI**	426.86	-0.98%	**2.3%**	4.1%
2.30	18	**World (Developed Markets)**	1,754.10	-1.00	**2.6**	4.7
2.30	18	**World ex-EMU**	217.71	-1.10	**2.5**	6.8
2.20	19	**World ex-UK**	1,791.05	-0.99	**2.9**	6.2
2.90	17	**EAFE**	1,845.08	-0.75	**4.0**	-4.7
2.60	13	**Emerging Markets (EM)**	956.73	-0.80	**0.0**	-1.0
3.10	18	**EUROPE**	135.69	0.35	**16.2**	17.9
2.90	21	**EMU**	183.74	-0.23	**3.5**	-9.4
2.90	20	**Europe ex-UK**	147.55	0.18	**17.7**	18.9
4.00	14	**Europe Value**	131.92	0.42	**13.7**	12.7
2.20	24	**Europe Growth**	134.11	0.29	**18.7**	23.1
2.20	22	**Europe Small Cap**	318.64	0.06	**17.2**	13.9
3.50	9	**EM Europe**	235.92	0.75	**11.3**	-7.2
3.60	14	**UK**	2,040.47	1.54	**5.6**	1.7
2.90	18	**Nordic Countries**	250.49	0.34	**18.8**	18.0
4.20	7	**Russia**	764.76	1.62	**15.5**	2.3
2.70	20	**South Africa**	1,354.04	0.23	**5.1**	18.2
2.90	14	**AC ASIA PACIFIC EX-JAPAN**	477.79	-0.54	**2.3**	3.2
1.70	17	**Japan**	973.98	0.79	**12.4**	30.3
2.90	10	**China**	68.89	1.08	**4.3**	13.9
1.30	20	**India**	1,082.32	-0.45	**6.5**	33.2
1.40	11	**Korea**	567.71	0.01	**5.8**	-1.7
2.80	15	**Taiwan**	358.06	1.54	**4.3**	18.3
1.90	20	**US BROAD MARKET**	2,389.39	-1.15	**2.7**	12.2
1.50	29	**US Small Cap**	3,521.49	-0.96	**4.3**	6.3
3.20	18	**EM LATIN AMERICA**	2,417.24	-1.71	**-11.4**	-17.8

Source: MSCI

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.**MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange;**ICE-EU:** ICE Futures Europe. *Data as of March 18, 2015

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	**373.75**	-1.00	**-0.27%**	418.25	367.00
Soybeans (cents/bu.)	CBOT	**962.25**	-2.75	**-0.28**	1,067.00	953.50
Wheat (cents/bu.)	CBOT	**511.50**	0.75	**0.15%**	607.50	478.25
Live cattle (cents/lb.)	CME	**149.975**	1.500	**1.01**	158.250	138.575
Cocoa ($/ton)	ICE-US	**2,705**	-53	**-1.92**	3,038	2,674
Coffee (cents/lb.)	ICE-US	**142.80**	2.75	**1.96**	187.40	128.75
Sugar (cents/lb.)	ICE-US	**12.58**	-0.15	**-1.18**	16.27	12.56
Cotton (cents/lb.)	ICE-US	**62.52**	0.04	**0.06**	66.24	57.95
Rapeseed (euro/ton)	LIFFE	**370.75**	0.50	**0.14**	372	340
Cocoa (pounds/ton)	LIFFE	**1,922**	-27	**-1.39**	2,046	1,864
Robusta coffee ($/ton)	LIFFE	**1,811**	-8	**-0.44**	2,077	1,685
Copper ($/lb.)	COMEX	**2.6615**	0.0910	**3.54**	2.8380	2.4200
Gold ($/troy oz.)	COMEX	**1170.40**	19.10	**1.66**	1,308.80	1,141.60
Silver ($/troy oz.)	COMEX	**16.120**	0.579	**3.73**	18.535	15.260
Aluminum ($/ton)*	LME	**1,776.50**	8.50	**0.48**	1,889.50	1,746.50
Tin ($/ton)*	LME	**17,175.00**	-275.00	**-1.58**	19,750.00	17,175.00
Copper ($/ton)*	LME	**5,675.00**	-71.00	**-1.24**	6,247.00	5,369.00
Lead ($/ton)*	LME	**1,720.00**	-8.00	**-0.46**	1,894.00	1,720.00
Zinc ($/ton)*	LME	**2,006.00**	1.00	**0.05**	2,196.50	2,005.00
Nickel ($/ton)*	LME	**13,605**	5	**0.04**	15,540	13,600
Crude oil ($/bbl.)	NYMEX	**45.55**	-1.10	**-2.36**	56.75	44.03
Heating oil ($/gal.)	NYMEX	**1.7039**	-0.0444	**-2.54**	1.9384	1.5550
RBOB gasoline ($/gal.)	NYMEX	**1.7699**	-0.0264	**-1.47**	1.9795	1.5188
Natural gas ($/mmBtu)	NYMEX	**2.832**	-0.104	**-3.54**	3.2000	2.6200
Brent crude ($/bbl.)	ICE-EU	**54.45**	-1.46	**-2.61**	63.66	48.95
Gas oil ($/ton)	ICE-EU	**521.75**	3.25	**0.63**	589.50	458.75

Sources: SIX Financial Information; WSJ Market Data Group

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Currencies

London close on March 19

	Per euro	In euros	Per U.S. dollar	In U.S. dollars
AMERICAS				
Argentina peso-a	9.3583	0.1069	8.7917	0.1137
Brazil real	3.5000	0.2857	3.2881	0.3041
Canada dollar	1.3557	0.7376	1.2738	0.7851
Chile peso	681.35	0.001468	640.10	0.001562
Colombia peso	2791.00	0.0003583	2621.82	0.0003814
Ecuador US dollar-f	1.0645	0.9395	1	1
Mexico peso-a	16.2498	0.0615	15.2659	0.0655
Peru sol	3.2963	0.3034	3.0967	0.3229
Uruguay peso-e	27.207	0.0368	25.560	0.0391
U.S. dollar	1.0645	0.9395	1	1
Venezuela bolivar	6.70	0.149263	6.29	0.158883
ASIA-PACIFIC				
Australia dollar	1.3961	0.7162	1.3116	0.7624
China yuan	6.5954	0.1516	6.1961	0.1614
Hong Kong dollar	8.2610	0.1211	7.7605	0.1289
India rupee	66.5230	0.0150	62.4954	0.0160
Indonesia rupiah	13901	0.0000719	13059	0.0000766
Japan yen	128.73	0.007768	120.94	0.008269
Kazakhstan tenge	198.09	0.005049	185.78	0.005383
Macau pataca	8.5205	0.1174	8.0046	0.1249
Malaysia ringgit-c	3.9428	0.2536	3.7041	0.2700
New Zealand dollar	1.4403	0.6942	1.3532	0.7390
Pakistan rupee	108.444	0.0092	101.878	0.0098
Philippines peso	47.855	0.0209	44.715	0.0224
Singapore dollar	1.4777	0.6767	1.3884	0.7203
South Korea won	1195.95	0.0008362	1123.54	0.0008900
Sri Lanka rupee	141.89	0.0070477	133.30	0.0075019
Taiwan dollar	33.508	0.02984	31.479	0.03177
Thailand baht	34.861	0.02869	32.750	0.03053

	Per euro	In euros	Per U.S. dollar	In U.S. dollars
EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Bulgaria lev	1.956	0.5112	1.8377	0.5442
Croatia kuna	7.649	0.1307	7.187	0.1391
Euro zone euro	1	1	0.9395	1.0645
Czech Rep. koruna-b	27.454	0.0364	25.794	0.0388
Denmark krone	7.4503	0.1342	6.9992	0.1429
Hungary forint	303.79	0.003291	285.40	0.003504
Iceland krona	147.85	0.006764	138.92	0.007198
Norway krone	8.6162	0.1161	8.0952	0.1235
Poland zloty	4.1257	0.2424	3.8762	0.2580
Russia ruble-d	64.009	0.01562	60.139	0.01663
Sweden krona	9.2529	0.1081	8.6928	0.1150
Switzerland franc	1.0558	0.9472	0.9918	1.0083
Turkey lira	2.7797	0.3598	2.6114	0.3829
Ukraine hryvnia	24.9826	0.0400	23.3865	0.0428
U.K. pound	0.7221	1.3851	0.6783	1.4743
MIDDLE EAST/AFRICA				
Bahrain dinar	0.4013	2.4921	0.3770	2.6527
Egypt pound-a	8.1211	0.1231	7.6294	0.1311
Israel shekel	4.2989	0.2326	4.0390	0.2476
Kuwait dinar	0.3194	3.1309	0.3001	3.3321
Oman sul rial	0.4100	2.4392	0.3852	2.5964
Qatar rial	3.876	0.2580	3.642	0.2746
Saudi Arabia riyal	3.9924	0.2505	3.7507	0.2666
South Africa rand	13.1079	0.0763	12.3148	0.0812
United Arab dirham	3.9097	0.2558	3.6730	0.2723

a-floating rate b-financial c-government rate c-commercial rate d-Russian Central Bank rate.
Source: Tullett Prebon

BLUE CHIPS & BONDS

Major players & benchmarks

Below, a look at the Dow Jones Stoxx 50, the biggest and best known companies in Europe, including the U.K.

Stoxx Europe 50: Thursday's best and worst...

Company	Country	Industry	Volume	Previous close, in local currency	STOCK PERFORMANCE Previous session	YTD	52-week
BHP Billiton	United Kingdom	General Mining	10,100,062	1,486	1.89%	7.0%	-16.5%
Roche Holding Part. Cert.	Switzerland	Pharmaceuticals	1,759,312	272.30	1.64	0.9	4.5
Glencore PLC	United Kingdom	General Mining	43,013,463	285.75	1.58	-4.4	-5.2
BNP Paribas	France	Banks	5,461,288	52.96	1.36	7.5	-6.5
Reckitt Benckiser Grp	United Kingdom	Nondurable Household Products	1,522,077	5,990	1.35	15.0	22.4
Siemens	Germany	Diversified Industrials	5,539,091	100.95	-4.18%	7.7	4.8
British American Tobacco	United Kingdom	Tobacco	5,947,662	3,668	-3.37	4.8	13.5
LVMH Moet Hennessy	France	Clothing & Accessories	1,054,885	168.30	-1.43	27.3	45.6
Unilever CVA	Netherlands	Food Products	5,874,079	39.83	-1.42	22.0	43.2
Telefonica S.A.	Spain	Fixed Line Telecommunications	20,367,935	13.06	-1.06	9.6	18.1

...And the rest of Europe's blue chips

Company/Country (Industry)	Volume	Latest, in local currency	STOCK PERFORMANCE Latest	YTD	52-week
BG Grp United Kingdom (Integrated Oil & Gas)	12,166,154	859.50	1.32%	-0.6%	-19.7%
Deutsche Bank Germany (Banks)	9,172,064	31.03	1.21	24.2	-4.7
BP PLC United Kingdom (Integrated Oil & Gas)	37,206,285	440.90	1.10	7.3	-7.6
Prudential United Kingdom (Life Insurance)	5,948,712	1,752	1.10	17.4	30.8
ENI Italy (Integrated Oil & Gas)	22,442,170	15.71	1.09	8.3	-10.7
Total France (Integrated Oil & Gas)	6,671,262	46.48	1.03	9.3	-1.7
BT Group PLC United Kingdom (Fixed Line Telecommunications)	16,337,502	463.20	1.00	15.4	17.0
Novartis AG Switzerland (Pharmaceuticals)	4,628,933	99.20	0.97	7.4	38.5
Royal Dutch Shell A United Kingdom (Integrated Oil & Gas)	7,977,303	2,042	0.96	-5.2	-5.7
Financiere Richemont Switzerland (Clothing & Accessories)	1,420,287	84.20	0.90	-5.2	3.0
SAP Germany (Software)	4,868,591	66.10	0.87	13.5	18.4
National Grid United Kingdom (Multiutilities)	10,891,290	888.30	0.83	-3.2	7.0
AstraZeneca United Kingdom (Pharmaceuticals)	2,868,821	4,786	0.75	5.0	20.3
Standard Chartered United Kingdom (Banks)	9,785,566	1,051	0.72	9.1	-11.4
ABB Switzerland (Industrial Machinery)	10,940,616	20.70	0.63	-2.1	-6.1
UBS Group Switzerland (Banks)	11,404,192	18.04	0.61	5.6	-0.1
Banco Bilbao Vizcaya Argn Spain (Banks)	26,442,628	9.08	0.60	15.5	5.4
Rio Tinto United Kingdom (General Mining)	4,308,088	2,846	0.53	-5.2	-9.5
Banco Santander S.A. Spain (Banks)	51,454,980	6.49	0.50	-6.3	3.9
Zurich Insurance Group Switzerland (Full Line Insurance)	528,619	326.20	0.49	4.7	24.0

Company/Country (Industry)	Volume	Latest, in local currency	STOCK PERFORMANCE Latest	YTD	52-week
Nestle Switzerland (Food Products)	5,709,915	76.55	0.46	4.9	18.1
GlaxoSmithKline United Kingdom (Pharmaceuticals)	10,769,731	1,630	0.40	18.5	-1.5
Daimler Germany (Automobiles)	5,117,951	90.25	0.38	30.9	37.0
Allianz SE Germany (Full Line Insurance)	1,735,214	158.45	0.35	15.4	30.6
Anheuser-Busch InBev Belgium (Brewers)	1,600,239	114.10	0.26	21.6	57.5
Credit Suisse Group AG Switzerland (Banks)	4,610,900	25.08	0.20	...	-8.3
Barclays United Kingdom (Banks)	44,500,418	252.80	0.18	3.8	4.7
ING Groep Netherlands (Banks)	18,607,678	13.53	0.07	24.9	33.7
Vodafone Group United Kingdom (Mobile Telecommunications)	82,200,698	225.90	0.07	1.5	-0.8
AXA France (Full Line Insurance)	8,808,248	23.33	...	21.5	27.4
Lloyds Banking Group PLC United Kingdom (Banks)	158,815,738	79.50	...	4.9	0.6
Sanofi SA France (Pharmaceuticals)	3,261,003	92.98	-0.09	22.9	27.0
Deutsche Telekom Germany (Mobile Telecommunications)	14,551,402	16.73	-0.12	26.3	47.3
Bayer Germany (Specialty Chemicals)	2,488,732	142.40	-0.21	26.0	47.8
HSBC Hldgs United Kingdom (Banks)	25,963,047	577.10	-0.38	-5.2	-2.5
Diageo United Kingdom (Distillers & Vintners)	4,717,863	1,941	-0.69	5.0	8.4
L'Air Liquide France (Commodity Chemicals)	955,370	121.50	-0.69	18.1	26.8
BASF Germany (Commodity Chemicals)	3,714,568	89.93	-0.75	28.7	16.1
Schneider Electric SE France (Electrical Components & Equipment)	1,722,045	72.95	-0.90	20.4	15.8
Unilever United Kingdom (Food Products)	2,626,522	2,897	-0.99	10.2	21.3

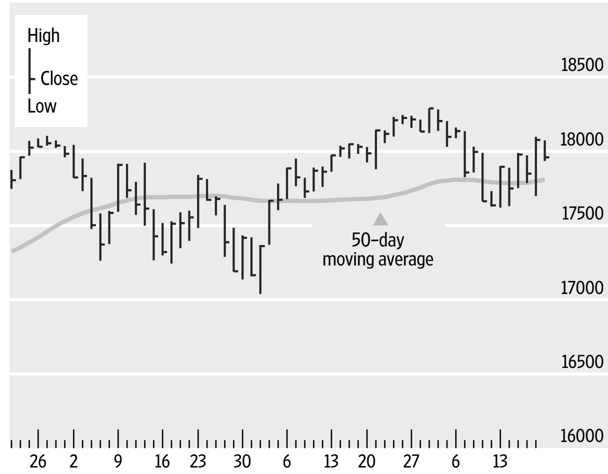
Sources: SIX Financial Information

Dow Jones Industrial Average P/E: 16

LAST: **17959.03** ▼ 117.16, or 0.65%

YEAR TO DATE: ▲ **135.96, or 0.8%**

OVER 52 WEEKS ▲ **1,627.98, or 10.0%**



Note: Price-to-earnings ratios are for trailing 12 months

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	Percentage
AmExpress	AXP	**3.7**	$81.64	−0.22	**−0.27%**
Apple	AAPL	**38.4**	127.73	−0.74	**−0.58**
Boeing	BA	**2.0**	153.97	−1.75	**−1.13**
Caterpillar	CAT	**4.3**	79.93	−1.40	**−1.72**
Chevron	CVX	**6.3**	104.79	−1.91	**−1.79**
CiscoSys	CSCO	**22.3**	28.30	0.15	**0.53**
CocaCola	KO	**13.0**	40.02	−0.58	**−1.42**
Disney	DIS	**3.4**	107.22	−0.75	**−0.69**
DuPont	DD	**4.0**	74.71	−1.30	**−1.71**
ExxonMobil	XOM	**8.0**	84.40	−1.67	**−1.94**
GenElec	GE	**26.5**	25.29	−0.35	**−1.37**
GoldmanSachs	GS	**1.6**	190.16	−2.16	**−1.13**
HomeDpt	HD	**2.6**	115.16	−0.92	**−0.79**
Intel	INTC	**21.8**	30.75	−0.14	**−0.47**
IBM	IBM	**2.9**	160.04	0.23	**0.14**
JPMorgChas	JPM	**8.7**	61.19	−0.56	**−0.91**
JohnsJohns	JNJ	**4.4**	101.73	0.27	**0.27**
McDonalds	MCD	**2.9**	96.09	−0.91	**−0.94**
Merck	MRK	**11.3**	58.27	0.62	**1.08**
Microsoft	MSFT	**22.2**	42.39	−0.11	**−0.26**
Nike B	NKE	**3.5**	98.36	0.85	**0.87**
Pfizer	PFE	**14.4**	34.25	−0.13	**−0.38**
ProctGamb	PG	**6.2**	83.30	−0.45	**−0.54**
3M	MMM	**1.3**	165.40	−1.07	**−0.64**
TravelersCos	TRV	**1.1**	109.06	−0.46	**−0.42**
UnitedTech	UTX	**2.0**	119.34	−0.97	**−0.81**
UtdHlthGp	UNH	**2.9**	120.56	0.60	**0.50**
Verizon	VZ	**11.2**	49.30	−0.24	**−0.48**
VISA ClA	V	**11.8**	66.94	0.02	**0.03**
WalMart	WMT	**5.9**	81.51	−1.02	**−1.23**

Source: WSJ Market Data Group

Tracking credit markets & dealmakers

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

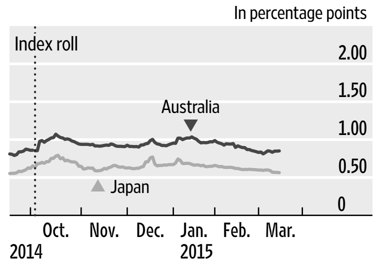
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 22/1	0.52	102.28%	0.01%	0.78	0.48	0.60
Eur. High Volatility: 20/1	0.52	101.81	0.01	0.84	0.48	0.64
Europe Crossover: 22/1	2.63	110.25	0.05	4.05	2.50	3.25
Asia ex-Japan IG: 22/1	1.06	99.72	0.01	1.28	0.97	1.09
Japan: 22/1	0.56	102.05	0.01	0.79	0.56	0.65

Note: Data as of March 18

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: European companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Lafarge	73.12	**-16.08**	8.17	8.06
RWE	63.15	**-3.22**	−2.75	−12.31
Bay Motoren Werke	41.05	**-1.25**	−1.85	4.75
Volkswagen	49.25	**-1.47**	−2.71	4.27
Stmicroelectronics	61.39	**-1.57**	−2.85	−22.34
CABLE WIRELESS WORLDWIDE	54.22	**-1.14**	1.71	1.42
Henkel	18.45	**-0.38**	−0.47	−2.85
Smiths Gp	62.81	**-1.01**	−2.04	−3.6
FKI	61.69	**-0.93**	−0.54	−0.32
Unilever	21.14	**-0.31**	0.01	−1.67

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
REPSOL	109.77	**11.4**	23.47	3.48
Portugal Telecom SGPS	452.92	**38.66**	86.28	88.59
Intesa Sanpaolo	77.67	**6.09**	5.59	−9.93
Fiat Chrysler Automobiles	160.32	**11.41**	20.53	−3.47
Bco Bilbao Vizcaya Argentaria	76.03	**5.34**	4.86	−7.84
Bco SANTANDER	80.18	**5.4**	6.38	−6.41
Peugeot	147.81	**9.85**	12.78	-12.05
CASINO GUICHARDPERRACHON	92.19	**6.06**	11.2	3.83
UniCredit	99.54	**6.12**	6.35	−16.4
EDP Energias de Portugal	98.85	**5.18**	8.89	−4.27

Source: Markit Group

Behind Europe's deals: Bank revenue rankings, France

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
BNP Paribas	$52	11.4%	8%	46%	37%	10%
Credit Agricole CIB	40	8.8	3	74	11	12
Deutsche Bank	37	8.0	8	46	41	5
SG Corporate Investment Banking	33	7.2	5	71	7	16
Natixis	29	6.4	...	55	28	17
Goldman Sachs	25	5.5	27	65	1	6
Morgan Stanley	24	5.2	17	64	12	6
HSBC	24	5.2	14	65	...	21
Citi	21	4.7	...	63	29	8

Source: Dealogic

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Climbing Colorado's '14ers' in Skis

The first woman to climb and ski the state's 54 highest peaks uses skins to make her ascent

By Jen Murphy

Christy Mahon knows the mountains of Colorado. She was the first woman to climb and ski all 54 of Colorado's 14,000-foot-or-higher peaks—what mountaineers call a 14er.

Ms. Mahon climbed all of the 14ers between 2000 and 2004. In 2008, she decided to tackle the mountains when they were covered in snow.

To summit the snowy mountains, Ms. Mahon, 39, attaches skins, or synthetic sleeves, to the back of her alpine touring skis so they don't slide backward. "Sometimes I need to put on crampons and use an ice ax when it gets really steep," she says. At the top, she removes the skins and skis down. "Skiing down is the fun part."

WHAT'S YOUR WORKOUT?

Skiing 14ers is a lot different than skiing the trails of a mountain resort, says Ms. Mahon. "The trails aren't groomed…and you need to be experienced with snow conditions and avalanche safety," she says.

Ms. Mahon achieved her goal of skiing all of the state's 14ers in 2010.

She was always a skier and hiker but she says it wasn't until she moved to Aspen from Denver in 1998 that she took her outdoor adventures to the next level. People in Aspen "are always pushing themselves to do new and different things," says Ms. Mahon, who met her husband while he was trying to summit the state's 14ers and became his main climbing partner.

"When he climbed them all, I figured I should just keep going to nab them all as well," she says. "I thought it would motivate me to see Colorado's quirky little mountain towns and also get to know the local wilderness."

As the development director for the nonprofit Aspen Center for Environmental Studies, Ms. Mahon works closely with schools and the local community, teaching everything from forest health to sustainable agriculture.

"It's my job to connect people with the natural world and give them hands-on experiences in the environment," she says.

She says Colorado's spring months—March through May—are prime time for skiing 14ers. "That's when the state typically sees its biggest snow storms [and] when snow sticks to the peak," she says. That leaves winter to build the fitness levels it takes to skin sometimes seven hours to the top of a mountain.

Her new challenge is to ski all of Colorado's Centennial Peaks, the state's 100 highest peaks, by the end of this spring.

Christy Mahon, above, skins up the Highland Bowl in the Aspen Highlands ski area. At the top of the bowl is Highland Peak, which has an elevation of 12,392 feet, or 3,777 meters. Below left, Ms. Mahon skis down the bowl; right, she runs near the North Star Nature Preserve in Aspen. She says March through May are prime months for skiing 14ers in Colorado.

David Clifford for The Wall Street Journal (3)

The Workout

During the workweek, she tries to skin twice, run twice, downhill ski twice, cross-country ski twice, strength-train twice and do yoga at least once. "Cross-training is really important physically and mentally," she says.

Ms. Mahon lives next to Aspen's Hunter Creek Trail and runs the trail with Yaktrax, an ice-traction device, on her sneakers, for about an hour. On days when the temperature drops below zero, she runs on a treadmill at the Aspen Club & Spa. "Running is good maintenance for me in the winter," she says. "When you're climbing peaks, you're at high altitudes so it helps to learn to control your breathing."

She takes high intensity training classes twice a week at the gym. "It's kind of like CrossFit but with lighter weights," she says.

During the weekends, she tries to get in the backcountry for at least one long ski-touring day. "That usually includes a few miles skinning up a mountain and then making some fun powder turns down," she says.

If the conditions don't allow for safe travel in the backcountry, she heads over to Aspen Highlands ski area, which is known for the "Highland Bowl." At the top of the bowl is Highland Peak, at an elevation of 12,392 feet (3,777 meters).

The Diet

She starts her day with steel-cut oats with blueberries, flaxseed, chia seeds and cinnamon. Lunch is almost always a kale salad with pomegranate, sesame seeds and balsamic vinaigrette. For dinner, she typically cooks quinoa and roasted vegetables.

The Gear

Ms. Mahon wears Athleta yoga clothing, and for skiing and running, she wears Stio, which is a sponsor.

She runs in Brooks trail-running sneakers. Her Dynafit and Kastle alpine touring skis cost $700 a pair and skins run between $120 and $140 a pair. Her membership at the Aspen Club & Spa costs $165 a month.

The Playlist

Ms. Mahon says Foster the People has been her go-to Pandora channel lately. She also listens to books on tape during runs. "Some days I'm motivated to run because I want to find out what happens next in my book."

Skiing With Skins: What Goes Down The Mountain, Must First Go Up

Using skis to go uphill is becoming a popular form of exercise, according to Steve Szoradi, managing partner of Aspen Alpine Guides. "We're seeing more people using backcountry gear [on groomed trails] to stay fit," he says. But what does it take to climb a mountain in skis?

You need alpine touring skis, which are lighter and more flexible than typical downhill skis, says Mr. Szoradi. Alpine skis also don't have the metal edge of a downhill ski, which is used for turns, he says.

And alpine-touring bindings have a fixed point for the toe so the heel can be lifted when going up. "The binding locks down on the heel when you are ready to ski down," he says.

To go uphill, skiers put skins, so called because they were once made from animal skins, on the bottom of their skis for traction and use a gliding motion.

"You never pick up your feet," Mr. Szoradi says. "It's more efficient to slide or shuffle your skis along the snow. A lot of balance and effort are involved, especially if conditions are icy or you aren't on groomed snow."

Mr. Szoradi says when performed at altitude, the activity becomes even more challenging. "At altitude, you have less oxygen and your muscles use oxygen to maintain their strength," he explains.

He suggests avoiding alcohol and staying hydrated with electrolytes to help acclimate.

—Jen Murphy

SPORTS

Agence France-Presse/Getty Images

Ireland batsman Ed Joyce plays a hook shot to leg during his side's victory against the West Indies at Saxton Park Oval in Nelson, New Zealand, on Feb. 16.

Hopefuls Deserve Day in the Sun

By Richard Lord

Apart from supporters of the teams in question, probably the only people who might be pleased that eight of the nine top-ranked teams qualified for the quarter-finals of the 2015 World Cup are the senior mandarins of the International Cricket Council. On the face of it, it appears to justify the governing body's plan to reduce the 2019 World Cup from the current 14 teams to 10. But, for several reasons, that simply isn't the case.

With a competition such as the World Cricket League, which provides a well-organized route for the non-Test-playing associate nations to rise up through the rankings, the ICC has shown that it can provide imaginative ways for those smaller nations to progress. But that doesn't mean much if that progression doesn't head anywhere—if the best-performing teams aren't rewarded with a chance on the biggest stage.

At 43 days, the 2015 World Cup is certainly too long—but the 2019 event is scheduled to last three days longer, so one reason for cutting down the number of teams doesn't apply. Instead, the reduction is designed to guarantee that all of the games will be between the so-called major nations, supposedly ensuring that every game is evenly contested—and, of course, delivering high TV-viewing figures.

But a lot of the most absorbing games in this tournament have involved associate nations, including Ireland's win over the West Indies on Feb. 16; Zimbabwe's and Ireland's nerve-jangling run chases to beat the unexpectedly high-scoring United Arab Emirates on Feb. 19 and 25 respectively; Afghanistan running Sri Lanka close on Feb. 22; Afghanistan and Scotland's dramatic showdown on Feb. 26, won by the former with three balls to spare; and Bangladesh's squeaky chase against Scotland on March 5.

The associate nations have proved with their performances at this event, as they consistently have at previous ones, that they deserve to be there. Star of the show as expected was Ireland, unlucky to miss out on quarter-final qualification on net run rate, but showing the ability to compete with any team, even with a weak seam attack hampered by the loss of Tim Murtagh to injury and Boyd Rankin to England.

At least 14 teams should play in the World Cup, and preferably more.

All of its regular top seven batsmen comfortably outscored Ireland-born England captain Eion Morgan's 90 runs at an average of 18, and in fact the second-highest scoring batsman at this World Cup to have represented England was Ireland's former England player Ed Joyce. That suggests there's something about the Ireland team environment that brings the best out of players, and something about the England one that does the opposite.

Afghanistan, as it always does, won a lot of friends with its whole-hearted, aggressive brand of cricket, led by quicks Dawlat Zadran and Hamid Hassan, who both bowl at more than 140km/h (87 mph), while batsmen such as Samiullah Shenwari showed innings-building class as well as big hitting. Likewise Shaiman Anwar of the encouragingly competitive UAE, with 310 tournament runs at an average over 50. Scotland was perhaps the only disappointing associate; it even managed to lose to England.

The fact that these teams didn't make the quarterfinals in no way diminishes their performances. This is a vanishingly rare chance for the associates to play against the top sides in any context, let alone in a competition that really matters. There's no saying how good the likes of Ireland and Afghanistan could be if they had regular exposure to the top sides. Crowded fixtures schedules for the big teams mean that is something they're unlikely to get, unless those big teams decide that they could in fact cut down the length of some of the context-free, bilateral one-day international series they so often play against each other. It sounds like a sacrifice, given that none of the associates are exactly box office at the moment, but then neither was, say, Sri Lanka when it first got Test status in 1981—and 15 years later it had won the World Cup. Lack of spectator appeal is a self-fulfilling prophecy.

The smaller nations do have a chance to qualify for the 2019 World Cup. The top eight teams in the ICC ODI team rankings qualify automatically, and 10 other teams will fight it out for the two remaining places at a qualifying tournament, qualification for which will be also based on the rankings. But even the rankings are loaded against the smaller nations: Wins over higher-rated teams are worth more points, but you can't win against teams you don't play, so a low position in the rankings is another self-fulfilling prophecy.

At least 14 teams should play in the World Cup, and preferably more. Moreover, Ireland should be given Test status; it is at least as ready as Bangladesh was in 2000, or even Zimbabwe in 1992 or Sri Lanka in 1981. The only thing the team lacks is genuinely fast bowlers, but so did those other teams. If nothing else, it would halt the talent drain of Test aspirants to England. Afghanistan, which possesses useful quicks, isn't too far from being ready, either.

The Test-playing nations may feel it is to their advantage to exclude the smaller teams from the World Cup and from Test status, but that's only true in the short term. In the long term, cricket needs to compete against a host of expansionist sports with broader-based appeal. For its own future, the game needs to grow.

When India became a Test-playing nation in 1932, the notion of it ever generating the majority of global cricketing revenue must have seemed very remote indeed. But if the five existing Test-playing nations then had voted against admitting it, cricket would be a shadow of the international sport it is today. It pays to play the long game.

Getting more people to watch the tournament, both at the venues and on TV, is a laudable aim, but not if it comes at the expense of broadening cricket's global appeal. The ICC has been known to change its mind when it comes to the format and makeup of major tournaments. For the sake of the future of the game as a global spectacle, rather than one preserved as an elite club for the select few, it needs to change its mind about the 2019 World Cup.

HEARD ON THE PITCH

World Cup Final Will Be 7 Days Before Christmas

Four years after awarding hosting rights for the 2022 World Cup to Qatar, soccer's world governing body took the unprecedented step of shifting the tournament to the end of the year, with the final to be played on Dec. 18. The World Cup will also be a shorter-than-usual 28 days, putting the expected start on Nov. 21.

FIFA confirmed the decision in Zurich on Thursday. The question had hung over the organization since 2010. But in recent weeks, it was only a matter of nailing down the date. As it happens, Dec. 18 is Qatar's national day.

"For us it's a major step, because finally we know and we can move forward," FIFA director of communications Walter de Gregorio said. "At least we know that the final will not be the 23rd [of December], so time to make Christmas shopping and time to go home."

Though Qatar won the hosting rights with promises of stadium-cooling technology to make conditions in the Middle East playable in the summer, the shift in season has been expected for a year.

The biggest opposition early on came from the major European leagues, home to the top players in the world, which would have to interrupt their season for up to seven weeks to accommodate the tournament.

For some, such as Germany and Spain, that would extend an already-existing two- or three-week winter break. There, a November-December World Cup is viewed as the most palatable solution.

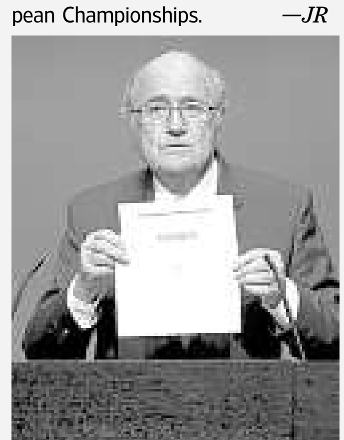
But for the English Premier League, the consequences are far greater. Instead of pausing for the holidays, English soccer traditionally packs in more games throughout December.

—Joshua Robinson

France to Host Women's World Cup in 2019

The 2019 Women's World Cup will take place in France, FIFA announced on Thursday. Four years after this summer's tournament in Canada, it will be the third time the World Cup is held in Europe after Sweden and Germany.

Though England, New Zealand, and South Africa expressed interest in hosting it, only South Korea remained in contention until Thursday. The unanimous decision was made without a vote by FIFA's Executive Committee, a spokesman said. The opening match and final will be at Lyon's Stade des Lumières, which is under construction ahead of the 2016 men's European Championships. *—JR*



Reuters

FIFA chief Sepp Blatter announces France's selection on Thursday.

OFF THE WALL

‘PowerPoint Karaoke’ Brings Stress Relief

By Shira Ovide
San Francisco

On a sunny Friday afternoon earlier this month, about 100 employees of **Adobe Systems** Inc. filed expectantly into an auditorium to watch PowerPoint presentations.

“I am really thrilled to be here today,” began Kimberley Chambers, a 37-year-old communications manager for the software company, as she nervously clutched a microphone. “I want to talk you through...my experience with whales, in both my personal and professional life.”

Co-workers giggled. Ms. Chambers glanced behind her, where a PowerPoint slide displayed four ink sketches of bare-chested male torsos, each with a distinct pattern of chest hair. The giggles became guffaws. “What you might not know,” she continued, “is that whales can be uniquely identified by a number of different characteristics, not the least of which is body hair.”

Ms. Chambers, sporting a black blazer and her employee ID badge, hadn’t seen this slide in advance, nor the five others that popped up as she clicked her remote control. To accompany the slides, she gave a nine-minute impromptu talk about whales, a topic she was handed 30 seconds earlier.

Forums like this at Adobe, called “PowerPoint karaoke” or “battle decks,” are cropping up as a way for office workers of the world to mock an oppressor, the ubiquitous PowerPoint presentation. The mix of improvised comedy and corporate-culture takedown is based on a simple notion: Many PowerPoint presentations are unintentional parody already, so why not go all the way?


David Allen
In ‘PowerPoint karaoke,’ presenters must give an impromptu speech to accompany slides they have never seen before.

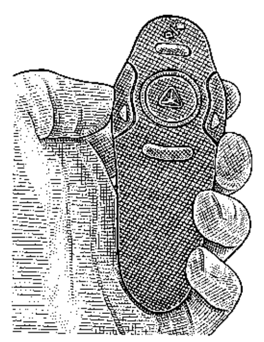
Library associations in Texas and California held PowerPoint karaoke sessions at their annual conferences. At a Wal-Mart Stores Inc. event last year, workers gave fake talks based on real slides from a meatpacking supplier. Twitter Inc. Chief Executive Dick Costolo, armed with his training from comedy troupe Second City, has faced off with employees at “battle decks” contests during company meetings.

One veteran corporate satirist gives these events a thumbs up. “Riffing off of PowerPoints without knowing what your next slide is going to be? The humorist in me says it’s kinda brilliant,” said “Dilbert” cartoonist Scott Adams, who has spent 26 years training his jaundiced eye on office work. “I assume this game requires drinking?” he asked. (Drinking is technically not required, but it is common.)

Mr. Adams, who worked for years at a bank and at a telephone company, said PowerPoint is popular because it offers a rare dose of autonomy in cubicle culture. But it often bores, because creators lose sight of their mission. “If you just look at a page and drag things around and play with fonts, you think you’re a genius and you’re in full control of your world,” he said.

At a February PowerPoint karaoke show in San Francisco, contestants were given pairings of topics and slides ranging from a self-help seminar for people who abuse Amazon Prime, with slides including a dog balancing a stack of pancakes on its nose, to a sermon on “Fifty Shades of Grey,” with slides including a pyramid dotted with blocks of numbers. Another had to explain the dating app Tinder to aliens invading the Earth, accompanied by a slide of old floppy disk drives, among other things.

Other events have featured slides of clowns, CPR training, Mr. Rogers and a cat in space.


A PowerPoint remote control

During intentionally comedic competitions, many laugh lines land with a thud, just like real PowerPoint presentations. But the comedy is a draw because PowerPoint conventions are so familiar, and so easily parodied.

“The world does not really need more PowerPoint. Unfortunately, a lot of people don’t seem to have gotten that yet,” said Robert Hamilton, a 43-year-old technology executive in San Francisco.

Last fall, Mr. Hamilton was pulled from the audience at an improv show to take a stab at the format. Based on a suggestion from the crowd, Mr. Hamilton was tasked with giving an inspirational speech to villains from James Bond movies. His big moment came when the second slide popped up behind him, showing an elephant sitting on an elephant-sized toilet.

Thinking fast, Mr. Hamilton exhorted his imagined audience of master criminals to defecate on the world in high style. The audience roared.

PowerPoint software was introduced in 1987 by a company called Forethought, and gave mere mortals a way to present information with bullet points and professional-looking charts. Microsoft Corp. purchased Forethought the same year, and brought PowerPoint to the masses as part of its Office software bundle.

A generation later, PowerPoint has become a cultural touchstone. David Byrne, the Talking Heads musician, has created art installations and a thick coffee-table book featuring PowerPoint slides with garish colored arrows curling across a screen. Filmmaker Jeremiah Lee has made short action films entirely of PowerPoint slides.

Microsoft appreciates all the attention on its software. “It never ceases to amaze us to see the creative, fun and unique ways people use Office tools like PowerPoint,” a spokesman said.

Ubiquity has a downside: When former National Security Agency contractor Edward Snowden leaked information about the agency’s digital-surveillance programs, commenters panned the agency’s slidework. An architecture and design columnist for the Guardian newspaper said the NSA’s PowerPoints looked “like the work of a drunken toddler, high on the potentials of AutoShapes and WordArt.”

An NSA spokeswoman didn’t respond to a request for comment.

Inspiring improvised humor from the speech-and-slide format traces back to Zentrale Intelligenz Agentur, a Berlin artists’ collective that about 10 years ago started hosting PowerPoint karaoke shows as performance art.

Sammy Wegent, a 35-year-old videogame designer, saw additional potential. A couple of years ago, the former comedian tried PowerPoint karaoke at a team-building workshop at Zynga Inc., the San Francisco videogame company where he works. He found it a perfect prop for workplace improv, because the slides give people a welcome crutch around which to construct a narrative.

Now, he balances his day job with a business called “Speechless,” which hosts PowerPoint improv events like the one at Adobe. The idea is to ease the tension of a pressure-packed business moment by making it silly.

For Ms. Chambers, the fake PowerPoint was more tension-filled than the real thing. “This was scarier than swimming with sharks,” said the New Zealand native, a decorated open-sea swimmer who routinely encounters sharks.

Her performance won her a spot representing Adobe scheduled Thursday in a tech-industry Speechless tournament, competing with employees of Google Inc., Airbnb Inc. and Zynga.

Mr. Wegent says the winner will be the unofficial “funniest person in Silicon Valley.”

I’m not quite sure that’s a compliment,” she said.

Online»
See more photos of contestants doing ‘PowerPoint karaoke’ at WSJ.com/OffTheWall.

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HEARD ON THE STREET

Email: heard@wsj.com

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Tension for Greek Lenders

Slowly, the pressure on Greece is ramping up once more.

Prime Minister Alexis Tsipras held more talks on Thursday with French and German leaders, European Central Bank President Mario Draghi, and Jeroen Dijsselbloem, leader of a group of European finance ministers.

Mr. Tsipras's reception was likely frosty after he pushed an antipoverty bill through the Greek parliament in defiance of the country's international creditors. But while he may feel politically emboldened by antiausterity demonstrations in Frankfurt, financial conditions at home are deteriorating.

Greek government bonds are suffering a renewed crisis of investor faith. The yield on the Greek 2017 bond has risen above 22%, according to Tradeweb, and the yield curve is sharply inverted—a classic sign of distress.

The share prices of Greek banks are at or near the lowest levels seen since the crisis began in 2009. Deposits have continued to flow out with reports of a mini-run on Wednesday after Mr. Dijsselbloem said capital controls may be needed.

At the end of January, Greek retail and business deposits were already below their previous nadir in the summer of 2012.

Up to another €10 billion ($10.86 billion), or 6.5%, is reported to have gone since then.

The ECB's governing council on Wednesday granted a tiny increase, of just €400 million, to the emergency funding that the country's banks use to replace fleeing deposits.

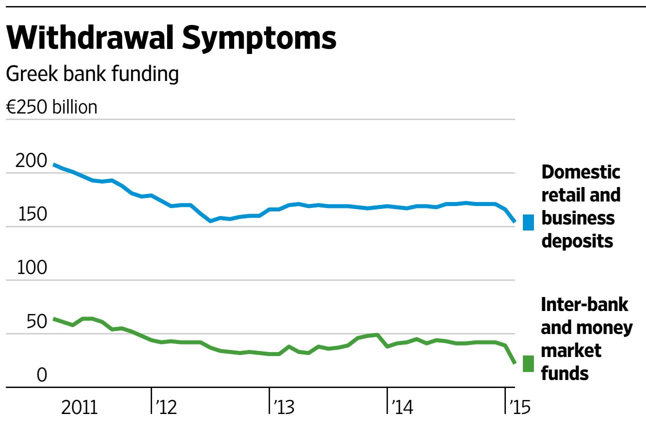
Greek banks are already accessing close to the maximum €70 billion in emergency funding permitted, although they also still have some ordinary ECB funding using bonds issued by the European Financial Stability Facility. In all, Greek banks' reliance on ECB money roughly doubled over December and January to €85 billion.

Senior ECB officials are comfortable that Greek banks have enough collateral to access as much emergency funding as the €120 billion they took in 2012. Banks may have €60 billion worth of usable collateral left for emergency funding, if the limits are raised.

Indeed, about half the funding banks lost in December and January was €20 billion provided by other banks and repo markets, rather than deposits. That institutional retreat also ought to free up some collateral.

But the cushion for Greece's banks is limited. Capital controls may be the best way to guard against disastrous funding flight, but unilaterally imposed those could prompt the country's exit from the eurozone. Time isn't on anyone's side.

—Paul J. Davies



Sources: Bank of Greece; Getty Images (photo) THE WALL STREET JOURNAL.

Blockupy suporters marched in Frankfurt, Germany, Wednesday.

Greek government bonds are suffering a renewed crisis of faith from investors.

OVERHEARD

Coupon clipping—the staple activity of the traditional, cautious bond investor—is rapidly becoming passé in Europe.

Take returns on German government bonds, the haven market for eurozone investors. From 2001 through 2007, German bonds returned a total of 37.1%, according to Barclays index data. Returns due to price movements were just 0.6%; reinvested coupon payments returned 36.5%. Coupon clipping was everything.

My, how that has changed: Since 2008, price returns have vaulted to 24.2%, while coupons have generated 31.4%, for a total return of 55.6%. The real lure of bonds postcrisis has been capital gains, not coupons. And indeed, the return from coupons has fallen steadily over time. But recently, the skew to price returns has become extreme: Of last year's 10.3% return on German bonds, 75% came from price gains, according to Barclays.

So far this year, a whopping 86% of the 3.5% total return recorded has come from higher prices.

But what goes up can come down. With coupons providing little cushion, a serious selloff in bonds is likely to prove painful.

GM May Cede to Renault in Russia

Fatigue is setting in for car makers in Russia.

General Motors Co. this week decided to close its St. Petersburg plant and stop selling most locally manufactured Opel and GM cars. While Russia only accounted for about 2% of total sales last year, the country's growth potential meant GM had pledged a $1 billion investment to increase capacity there only three years ago.

Low oil prices combined with economic sanctions, higher interest rates and a falling ruble are pummeling the Russian car industry. In 2014, the number of total vehicle registrations fell by 10.5% and is expected to drop by another 36% this year, according to IHS.

But for those with stamina, GM'S about-face could leave them with a bigger piece of the pie when the auto sector eventually recovers.

One potential beneficiary could be **Renault**, which has been among the most aggressive foreign auto manufacturers to grab market share. It has a joint venture with Russian auto maker **Avtovaz**. Despite losses of €182 million ($194 million) from the venture in 2014, Renault has reiterated plans to increase production and market share in Russia.

The hope is that Renault can grow through the downturn. The expected weakness of the euro against the dollar should give it an edge in cutting prices, compared with U.S. rivals. Its tie-up with a local partner is another advantage, although it would also make it more difficult and costly for Renault to extricate itself if required.

The worry is that any turnaround in Russia's car market looks increasingly distant. For a sales recovery to be sustainable, two key things need to happen: Oil prices must stabilize and geopolitical sanctions must ease. Neither looks likely.

If the recovery takes too long, the infrastructure supporting car manufacturers may begin to deteriorate. GM was one of the oldest and biggest investors in the Russian auto industry, and its decision to cut loose may mean others including car parts suppliers do the same.

When Russia's auto industry eventually emerges from the doldrums, there could be opportunities for those who have stayed the course. But, for now, long-distance driving in the country is becoming more arduous.

—Thao Hua

Oil Doesn't Have A Friend in Fed

The Federal Reserve's artful dodge on raising rates gave oil prices a boost Wednesday afternoon. Its real favor to oil investors, though, was demonstrating how little support low rates really offer: Prices slumped again Thursday morning.

Indeed, lower interest rates are a hindrance to a recovery in oil prices. That might sound counterintuitive. After all, lower U.S. interest rates tend to weaken the dollar, support emerging markets, and tempt investors into riskier assets, all of which normally supports oil.

But something has changed that relationship: shale. Rising U.S. oil supply is the big factor weighing on prices. And that supply is largely a function of exploration-and-production companies enjoying access to capital to fund drilling budgets that frequently outpace cash flow.

Witness the rush by several E&P firms to issue shares, especially during the brief rally in oil prices during February. So far this year, the sector has accounted for almost 12% of U.S. equity issuance, the highest proportion in at least two decades, according to Dealogic. Even on the debt side, E&P issuance to date is running at the same pace as the past five years.

As long as oil investors are transfixed by low rates—rather than rapidly building inventories—they will delay the slowdown in supply that needs to happen to balance the market and sustain a real rally. Besides buying shares and bonds, total assets in oil exchange-traded funds had more than doubled by mid-March compared with the start of the year, according to Citigroup. By bidding up oil futures, that money also helps E&P firms lock in higher hedges to sustain production.

It also is worth considering why the Fed is signaling a delay. It worries about a strengthening dollar, which in part reflects relative weakness in other major economies. Lower rates don't just hinder a supply response—they aren't a vote of confidence for oil demand, either.

—Liam Denning

Tencent Likes Facebook's Success

Tencent Holdings is sometimes called the **Facebook** of China. Now, the Chinese Internet company is explicitly copying Facebook's advertising strategy.

Among investors, Tencent arouses excitement mainly because of WeChat, or Weixin in Chinese, its hugely popular mobile messaging app. Until now, Tencent's main strategy for making money on WeChat has been to use it as a platform to distribute mobile games.

This approach seems to be hitting some limits. After all, not everyone plays smartphone games, and even fewer people pay real money for virtual items within those games. Developers also need to crank out new games to keep users interested.

Mobile-game revenue from WeChat and its companion platform QQ Mobile appeared to surge ahead in the fourth quarter, but only because of a change in Tencent's accounting methods. On a like-for-like basis, mobile-game revenue related to the two chat apps came to 2.9 billion yuan ($465.5 million) in the December quarter. That is up from 2.6 billion yuan in the previous quarter, when a technical snafu hit sales, but down slightly from three billion yuan in the June quarter.

WeChat often is compared with Facebook's WhatsApp, a pure chat tool. But WeChat also has Facebook-like social-networking features. Since January, Tencent has been experimenting with placing ads in its "moments" feed, which is similar to Facebook's timeline, where users share updates, news and photos with friends.

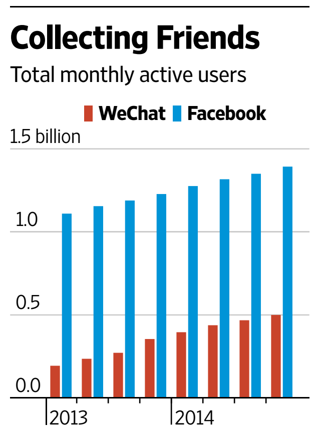
The potential opportunity is big and could more than make up for any slowdown in games. Facebook raked in $11.5 billion of advertising revenue last year, on a worldwide base of 1.39 billion monthly active users. WeChat has 500 million monthly active users.

Facebook's revenue grew quickly once it unleashed timeline ads, and Tencent has the advantage of being able to learn from Facebook's experience to guide it. But investors shouldn't expect quick results. For one thing, while Facebook's timeline is its primary feature that users are obsessed with, WeChat's moments page is secondary to its function as a chat app.

And as Tencent President Martin Lau noted at a news briefing on Wednesday, the social-media ad space is less well-developed in China than in the U.S. Tencent will have to "shepherd the industry in a positive direction," he said. Analysts at Nomura figure that advertising on WeChat's moments page will remain largely experimental this year, and gradually ramp up in 2016.

Enthusiasm over the potential for ads on WeChat has given a boost to Tencent shares, which are up 23% so far this year. But the payoff could take time. Investors shouldn't get carried away just yet.

—Aaron Back



Sources: the companies
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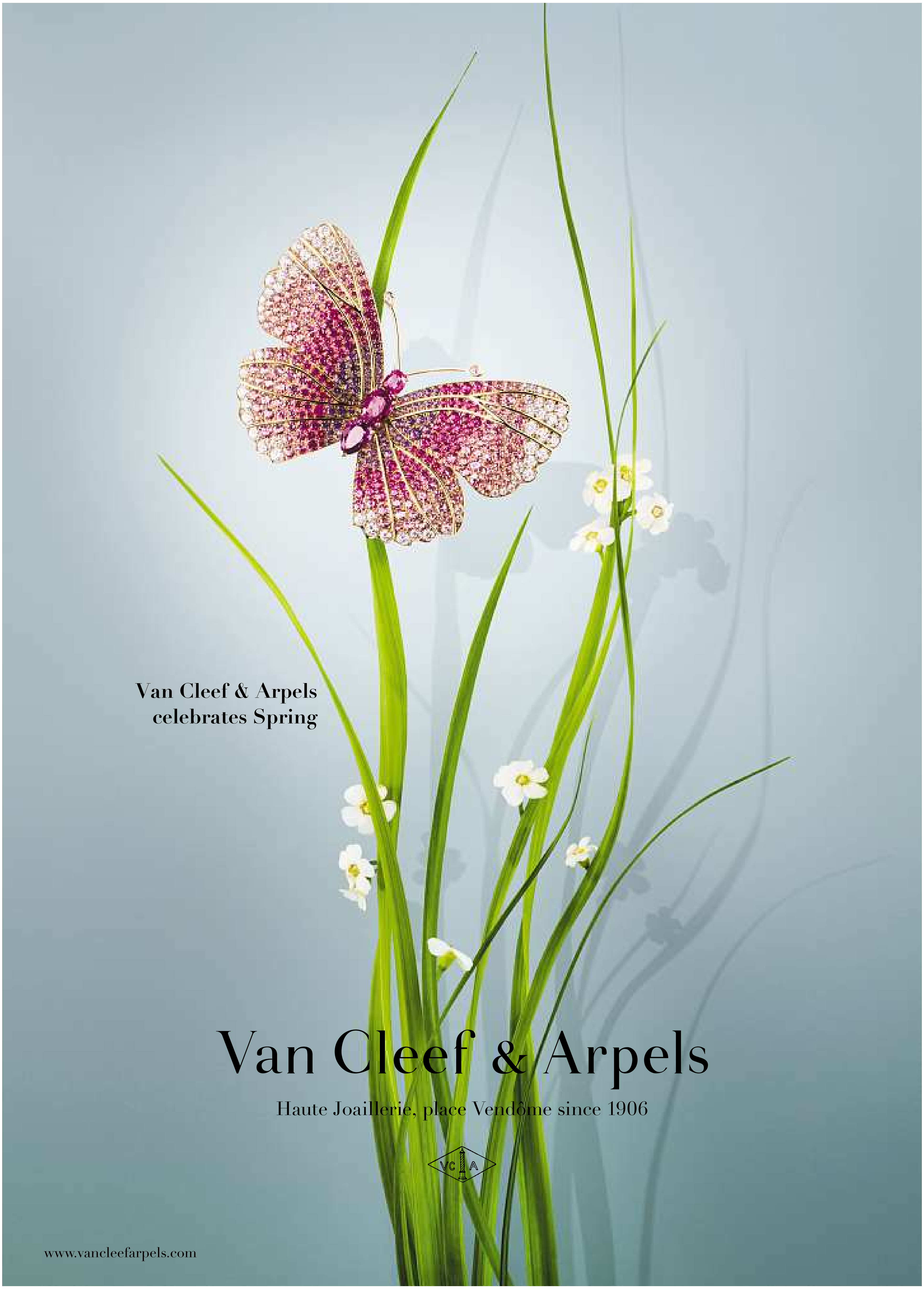
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OFF DUTY

Keep a Low Profile

Is high fashion done with high heels?
W6

Dennis Pedersen, Ian Walsh, Harry Pedersen

[INSIDE]


TIME WARP Go blissfully off the radar in Japan W2


SNAP CHAT Photographer Nick Knight on McQueen W5

LA VIE EN ROSÉ The best wine bars in Paris W3

ADVENTURE & TRAVEL

PLEASURE GARDEN Clockwise from left, Kenrokuen garden was created for feudal lords who lived in the nearby castle; the Higashi Chaya district; gold-flecked cakes in Hakuza; the 21st Century Museum of Contemporary Art

Jeremie Souteyrat for The Wall Street Journal (4)

Japan's Secret, Sparkling City

Kanazawa is a tempting side trip from Tokyo

BY CHANEY KWAK

THE FIRST THING I notice as I step off the train in Kanazawa is the hypermodernity of its railway station, which is covered by a glittering glass dome. The second thing is the absence of foreign visitors. This is a contrast from the few days I have just spent in Kyoto, which seemed to be overrun with Western tourists in rented kimonos and armed with selfie-sticks.

Kanazawa, for the moment, is refreshingly low-key. This 16th-century castle town of some 460,000 on Japan's west coast has remained blissfully off the radar of most overseas travelers but has long been a favorite getaway for the Japanese, explaining why tickets for this month's inaugural Shinkansen high-speed train service—which has cut travel time from Tokyo down to just 2½ hours—sold out in seconds.

A Unesco City of Crafts and Folk Art, Kanazawa has serious artistic credibility and is a center for artisans producing lacquer ware, textiles and other traditional crafts. None of these is more identified with Kanazawa than gold leaf. The city's name means golden marsh, and Kanazawa produces nearly all the gold leaf made in Japan, where they like to cover everything from monuments to food with it.

At Hakuza Honten, a local store that specializes in all things gilded, customers shop for varnished jewelry cases and bowls costing many thousands of dollars, along with gold-flecked poundcakes that Japanese travelers snap up as *omiyage*, or souvenirs. These goodies glitter, but what catches my eye is the replica of a 16th-century shogun's traveling tearoom covered in so much gold leaf it literally glows behind its protective glass.

Even more captivating than the gold-covered finery is one of the store's craftsmen, 66-year-old Shigeyo Aoshima, whom I watch hammering sheets of gold pressed between parchment into gold leaf. He pounds and manipulates with wooden tweezers until the metal is transformed into luminous, fluttering veils. When he's finished, the gold leaf is a thousand times thinner than paper and dissolves to glitter when rubbed in his fingers.

Having been spared by earthquakes and tsunamis and having escaped the World War II air raids that decimated so many Japanese cities, Kanazawa is a living museum of sorts, and one of the best-preserved cities in the nation. With its clay-walled, shingle-roofed homes and sinewy trees, the Nagamachi quarter looks just as it must have when samurai warriors lived here from the 16th to the 19th centuries.

The neighborhood is so sleepy that I wonder if I have stepped into a sort of Japanese Colonial Williamsburg after closing time. The stone-paved lanes are eerily silent except for the gurgling canals, which were once used to transport goods but are now so pristine it is hard to believe they were ever anything but decorative.

> Kanazawa is a living museum of sorts, and one of the best-preserved cities in the nation

In Higashi Chaya, a historic area on the other side of the city, there's not a single visible power line to distract from its vintage ambience. It's packed with *machiya*, wooden shops where merchants lived and worked until the 1950s. The patterns of the timber lattices indicate whether rice, silk or liquor was sold there, but today it's mostly souvenirs.

But the biggest draw of Higashi Chaya is the geishas. During the day, the kimono-clad ladies serve sweets and green tea in the courtyards of teahouses; at night, they put on elaborate kimonos, paint their faces and entertain patrons with drinking games and witty banter over elaborate meals. The Art of Travel, a local tour company, arranges for visitors to experience sashimi and sake accompanied by geishas performing their *buyô* dance and playing the three-stringed *shamisen*.

The city's symbolic and topographic crown is the 28-acre Kenrokuen garden, created for feudal lords who lived in the neighboring castle. It is intersected with winding lanes and streams, and its gnarly pines camouflage classical pagodas, meditative spots to rest.

The park embodies *wabi-sabi,* the Japanese aesthetic that celebrates transiency and imperfection. Its creators were reaching for an earthly manifestation of the ephemeral. In spring it blushes with cherry blossoms; in summer it's awash in blood-red azaleas. In winter, gardeners tie rope to tree limbs to protect them from breaking under snow, and attach them to bamboo poles on the trunks, so the trees look like giant chandeliers.

Down the hill from Kenrokuen is the 21st Century Museum of Contemporary Art, a stark, circular structure built with boatloads of glass to reflect its surroundings rather than compete with them. Its galleries exhibit works by contemporary masters including Gerhard Richter and Do Ho Suh.

I knew Kanazawa was a city with one foot planted proudly in its past. What I realize at the museum is that its other foot is striding into the future almost as swiftly as the bullet trains now rolling into its station.

LOWDOWN // EXPLORING KANAZAWA'S PAST AND PRESENT

GETTING THERE: The Hokuriku Shinkansen high-speed train from Tokyo to Kanazawa takes 2.5 hours and costs about £80.

STAYING THERE: Splurge for one of the five antique-filled rooms at the 140-year-old Asadaya Ryokan, which has pampering service and is known for its artfully prepared seafood. *About £556 per night, including breakfast and dinner; asadaya.co.jp/ryokan* APA Hotel is a typical Japanese business hotel, with clean and comfortable no-frills accommodation close to the train station, and at a great price that's hard to beat. *From about £48; apahotel.com*

EATING THERE: For almost 300 years, Kanazawans have gone to the Omi-cho Market for fresh fish, produce and prepared food. Line up with locals for crab legs, seafood bowls and sushi in the arcade, or try one of the market's many good restaurants. *Aokusa-machi 88*

BEING THERE: The Art of Travel, an American-run, locally based tour company, arranges bespoke itineraries including visits to traditional craftsmen. Evenings with the geishas in Higashi Chaya range from about £475 to £2,000. *theartoftravel.net*

EATING & DRINKING

ON WINE: WILL LYONS

Top Five Paris Wine Bars

IN A.J. LIEBLING'S 2004 memoir "Between Meals: An Appetite for Paris," the New Yorker writer describes the city like Byblos in Lebanon: "A pile of cities stacked in order of seniority, the oldest at the bottom." As I sit in the corner of a casual wine bar near Canal St.-Martin, my glass full of an ever-so-slightly chilled red, I begin to understand what he meant. Or rather, I try my own take on Byblos, imagining Paris's wine bars piled high, with the old guard propping up the base and the new hipster venues balancing on top.

Paris has always had a good wine scene, as Proust and Hemingway can attest, but in the past decade it's really boomed as cool new *bars à vins* and *néo-bistrots* have added to the traditional cafés.

In putting together a list of my top 5, I began by thinking: What makes a great wine bar? It goes without saying that it must have an exciting and extensive wine list, good glasses, prompt, friendly service and interesting food. But the best wine bars, like the best wines, must also have that magic ingredient: atmosphere. From the moment you first walk in, they should stir your emotions—whether it's the smell of fresh cooking, the surprise of a new wine, or simply the theater of being in a small, bustling venue.

I walked into Juveniles on rue de Richelieu on a chilly Thursday afternoon to find founder Tim Johnston sitting behind several bottles of wine in the corner; his daughter Margaux, who now runs the place with her chef partner Romain Roudeau, working the floor; and a dog sashaying around the room for company.

With its friendly atmosphere, Juveniles is as popular today as it was when it opened 30 years ago, during the first wave of new-style wine bars inspired by the success of Willi's. Opened by Brit Mark Williamson in 1980, Willi's made its mark serving undiscovered wines from the Rhône and Languedoc alongside dishes that offered a fresh take on traditional food. A decade later, a new generation brought natural wines to the forefront. And more recently, more informal *bars à vins* are adding a cooler, hipper edge.

For my top five, I've attempted to find venues within each of these categories to help you plan your perfect day in the city. They may not be the newest, hippest spots or least well-known, but they are all places I'd happily sit sipping *un verre* of slightly chilled wine.

Rex Features: Peter Lippmann; Lindsey Tramuta; Serge Chapuis; Albion

SIPS WORTH A TRIP Clockwise from top left, Le Verre Volé; Willi's (inset); Fish La Boissonnerie; Albion; Caves Legrand

BEST FOR A LIVELY EVENING

Le Verre Volé could be my perfect wine bar. As I stepped into this small room, just off the Canal St.-Martin, I was greeted by a bustling open kitchen, jazz playing on the stereo and a man eager to get me seated and serve me one of his wines. Except it appears not to be a wine bar at all; a sign outside insists it isn't. Indeed, it looks more like a wine shop with a few tables. Whatever it is—a *bistrot* perhaps?—it's well worth the detour. An eclectic wine collection, creative and hearty cooking and a noisy kitchen make for a truly wonderful experience. *67 rue de Lancry, 75010; leverrevole.fr*

BEST FOR A LATE SUPPER

Fish La Boissonnerie's garishly decorated mosaic frontage is the perfect introduction to this lively and friendly wine bar-cum-bistro. Set in a converted fishmonger's, its well-lit floor, exposed beams and polished zinc counter give the space an airy feel. Run by a trio of expats—co-owners New Zealander Drew Harré and American Juan Sanchez, and English chef Ollie Clarke—this is a place where you don't have to worry about speaking the local language. The wine list, which is mainly French, is comprehensive and will interest both the oenophile and the novice, while the food, as you might expect, will delight seafood lovers. Sit at the bar and watch the locals come in after 9 p.m. *69 rue de Seine, 75006; +33 1 43 54 34 69*

BEST FOR A ROMANTIC MIDDAY STOP

Halfway down the dreamy Galerie Vivienne, you'll come across a collection of tables and chairs. Look to your right and you'll see they belong to the spectacular **Caves Legrand**. With its wooden floors, sleek lines and brass fixtures, it oozes old-style Parisian elegance and is one of the most beautiful wine bars I've encountered. Although there has been a wine shop on the site for more than a century, the horseshoe-shaped bar at the back is a relatively recent addition. There are 14 wines by the glass, but oenophiles can also choose from one of the 3,000 bottles in the shop. This is an absolutely perfect spot for whiling away an afternoon. *1 Rue de la Banque, 75002; caves-legrand.com*

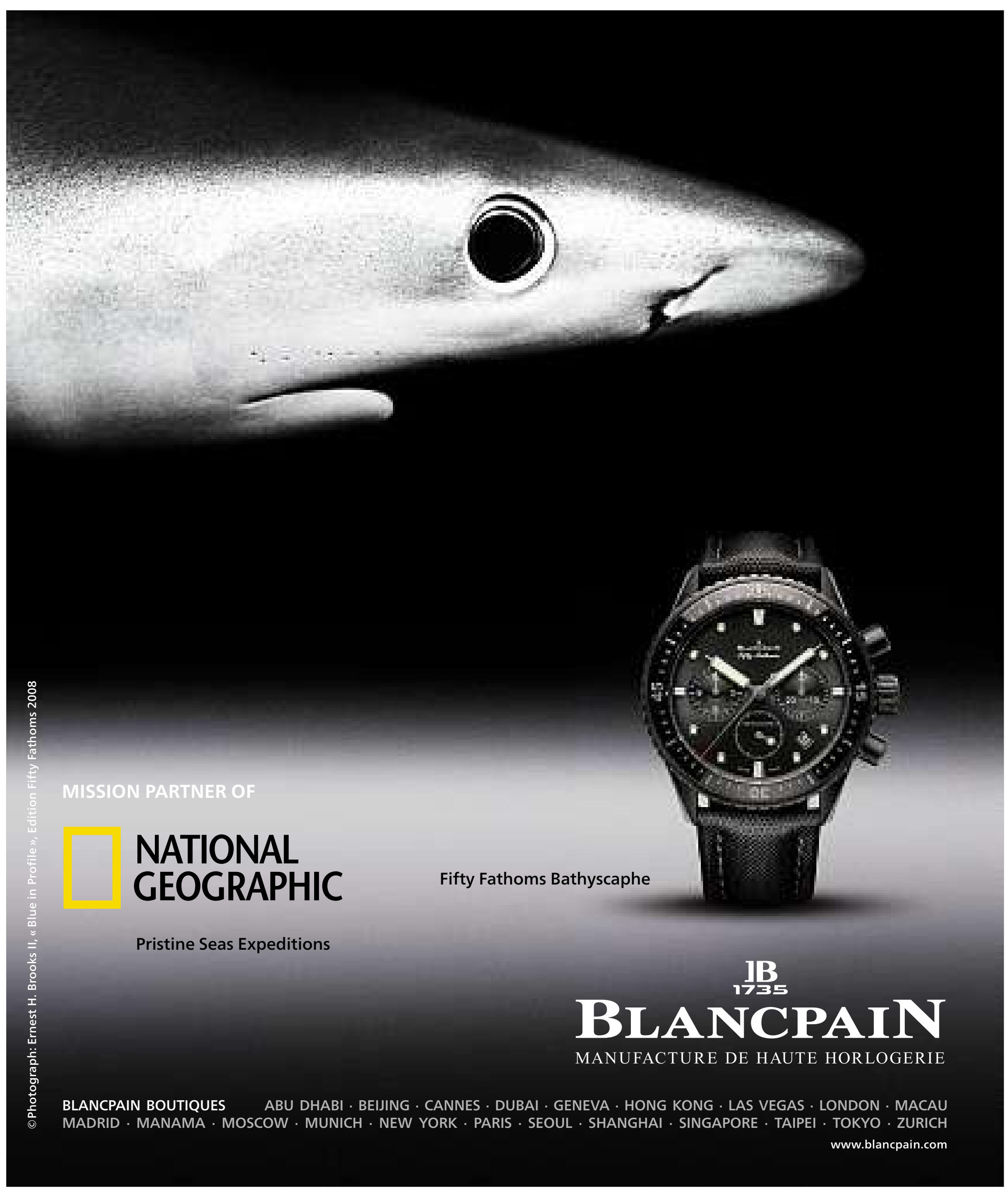
BEST FOR A LONG LUNCH

With its curved wooden bar, cleanly lit floor and white walls decorated with contemporary wine-themed posters commissioned by owner Mark Williamson, **Willi's** has a reassuring upscale feel. The wine list is dominated by one region—the Rhône—and isn't afraid to go off the beaten track, peppered with unfamiliar yet exciting wines. The food is traditional French provincial with a modern feel. *13 rue des Petits Champs, 75001; williswinebar.com*

BEST FOR MAKING A DISCOVERY

From the outside, **Albion** doesn't look like much. A short walk from Gare du Nord, the former tabac comes across as a large wine shop. But through the door lies a huge room that feels like a restaurant with a bar at the near end. With its stripped bare walls, wooden wine racks and mounted antlers, it has a modern, sophisticated feel. The wine list is 100% French (and 80% natural) and is dominated by three regions—the Rhône, Burgundy and the Loire. Its wine-by-the-glass selection starts at €5. When I stopped by late last year, I made one of my great discoveries of 2014: a supple, light and fresh white wine from the Roussillon. *80 rue du Faubourg Poissonniere, 75010; +33 1 42 46 02 44*

▶ **Find our WSJ Wine Portfolio tool, videos and more at WSJ.com/vintage. Email Will at william.lyons@wsj.com or follow him on Twitter: @Will_Lyons**



GEAR & GADGETS

left, Mikka Heriba for The Wall Street Journal; right, Scandinavian Side Bike

Tour de Family

Forget the car. Young urban families are looking to bikes to help with daily chores, from groceries to school runs

BY CAMERON ROBERTSON

IN COPENHAGEN, the world's self-proclaimed bicycle capital, a bike is more than just transportation. Young urban families want bicycles that will carry groceries, children, puppy dogs—and, in one case, convert into a sled for cross-country skiing.

At the Copenhagen Bike Show, where manufacturers showcased their latest designs last weekend, bicycles that did all of that were available for test drives. Attendees cruised around on bicycles with motorbike-style sidecars for children; some pushed strollers that turned into bicycles with forward-facing seats between the handlebars.

With consumers demanding versatile, multitasking bikes, companies are hoping fresh ideas will capture the public's imagination and pump up flat sales of traditional bikes.

"Families want more from a bike," said Sissel Bruun, a mother of two who took a €1,600 three-wheeled Taga bicycle with a stroller around for a spin. "We want a bike to be easy to work but to be easily packed away as well."

At the show, brands presented bicycles aimed at making cycling more comfortable for families with children, while appealing to consumers looking for cool design or convenience. Some hope to bring in more revenue by introducing add-ons like grocery bags and wine bottle holders. "The competition in the cycling market is very intense and [developers] go to great lengths in terms of the design," said show organizer Christian Ritter, the son of Danish racing legend Ole Ritter.

> Some companies hope to bring in more revenue by introducing fresh add-ons like grocery bags and wine bottle holders

The €7,850 Orca Velomobil, made by Dutch producer FlevoBike, could be mistaken for an electric bike. But it is in fact powered by traditional pedal and chain with an option for an electric assist motor. Access is through the lifted lid. Brakes on all three wheels give the driver great control, and suspension prevents the driver from having a bumpy ride.

Claus Nielsen, a blacksmith and father of a baby boy, took the 14,500 Danish kroner (€2,000) Scandinavian Side Bike, which has a sidecar for children, for a test ride. "I hadn't seen this sort of side bike before," he said. "It looked different." Developed by Danish bike specialist Torben Skov Andersen, the sidecar can be turned into a sled for cross-country skiing.

Looking around the three-day event, Mr. Nielsen said designs are becoming "more futuristic." A case in point is the $5,500 (€5,200) IA 4 triathlon bike. Produced by California's Felt, it features arm rests and a lightweight carbon fiber frame.

Bicycle makers hope their latest innovations will pump up the ailing market for regular bikes in Europe and the U.S. Sales of traditional bikes in Europe have been flat or sliding, hitting 19.8 million units in 2013—7% below 2007. In the U.S., the industry has circled around $6 billion in annual sales for more than a decade, according to the National Bicycle Dealers Association, with the number of regular bikes sold in 2013 down 13% from 2012.

Sales of e-bikes, which have an integrated motor to add pedaling power, are growing. World-wide, annual sales are expected to exceed 40 million units by 2023, overtaking regular bicycles as a portion of the overall market, according to Navigant Research, a technology market consulting firm.

Kevin Mayne, development director of the European Cyclists' Federation, blames bad weather in recent years for some of regular bikes' slump. E-bikes "are replacing bikes in some segments, such as older users and those with a commute over 10 kilometers," he says. But consumers adopting e-bikes are more often replacing mopeds and scooters, says John N. Ingstrup, who regularly imports Honda motorcycles into Denmark. The average cost of an e-bike is about €2,000 but prices are slowly decreasing amid rising competition, according to the European Cyclists' Federation.

Nowadays, bicycles have to provide more than just pedals and a seat, Mr. Mayne says. "Bikes are adapting to do all the things that used to be car-only," he said.

Despite flat sales, traditional bike manufacturers will be glad to learn that some users pledge to stay loyal to pedal power. "I do think that e-bikes are for lazy people," Ms. Bruun, the mother of two, said. "You need to get more muscles in your thighs, and two children on your bike is a good way to get that."

EASIER RIDERS Jacob Bruun, top left, takes Isabella and Sofus for a spin in the Scandinavian Side Bike at the Copenhagen Bike Show. The sidecar converts into a sled, top right. Right, the Babboe Dog cargo bike. Above, the Taga Bike-Stroller. Left, the Orca Velomobil, from Dutch producer FlevoBike, is a three-wheeler designed for a single rider

left, Flevobike; inset, Yoram Reshef; right, Bret van den Eshof/Babboe

STYLE & FASHION

top to bottom, Nick Knight/American Express; Getty Images (2); Dafydd Jones

IN VOGUE 'Black,' above, by Nick Knight, right, captures Alexander McQueen's 2004 event; below, 'Plato's Atlantis'; McQueen with Charlotte and Nick Knight in 2009

20 ODD QUESTIONS

NICK KNIGHT

The fashion photographer on McQueen, Kanye and youth culture

SITTING AT HIS DESK surrounded by laptops and surveyed by a maquette of Kate Moss with wings, Nick Knight repeatedly calls himself an "image-maker"—but everyone else in fashion calls the 56-year-old one of the most influential photographers in the business.

As a young freelance snapper for London's music press in the 1980s, Mr. Knight shot bands like Funkadelic and partied at the city's colorful Blitz and Taboo club-nights. It was here that he encountered John Galliano, Leigh Bowery and the rest of London's emerging countercultural elite, whom he photographed for magazines including i-D and The Face. He has shot scores of Vogue covers, and campaigns for everyone from Dior to Diesel, and in 2000 founded SHOWstudio.com, an ideas lab dedicated to his conviction that fashion's future will be defined by film.

Today, he's finalizing a portfolio of images shot 11 years ago with one of his closest collaborators, the late Alexander "Lee" McQueen. Five years after the designer's suicide, and to mark this week's opening of "Savage Beauty" at the Victoria & Albert museum, Mr. Knight is bringing to light "Black," a previously unseen study of the creations the designer considered the best of his career. As he reflects on McQueen's life, we caught up with him about their relationship, the changing nature of image making and the future of youth culture.

The first time I encountered Lee was at a Vogue Christmas party in the mid-'90s, at San Lorenzo. I am not much of a partygoer and I got the impression that Lee wasn't, either. But you find your path to people whose work you admire. I was just getting up to leave—early, at half past 10 or whenever—and someone pointed him out. He was at his table, looking really grumpy.

The fashion world is not that big. Look at the Italian fashion designers who are all in their sixties or seventies. People don't come and go as quickly as one might imagine because this a medium based on change.

When I was 12, I developed a schoolboy crush on my 14-year-old neighbor. It changed me profoundly because she was a skinhead. Suddenly I wanted to be a skinhead, too. Your teenage years are so crucial to shaping what you become later. It's the time where you work out who you are. More than 40 years later I'm still that.

The idea [behind 'Black'] was to recreate the end of Lee's Voss show. I photographed 35 models, and Lee, and [choreographer] Michael Clark who opened the show, dancing with Kate Moss. They were spotlit from above, all pressed up against a pane of glass. Afterward, though, we never found the time to put the images together. They have sat in a box for 10 years.

Lots of photographs that I did of [McQueen] were about the pressures that he felt, how he wanted to articulate the feelings that he had. One picture is of him in a padded cell, in chains, hanging from his own flesh. There was another shot we did where his head was exploding. At the time I just felt it was more imagery. You look back at it with the sad benefit of hindsight and you can see that perhaps those cries were more heartfelt than we imagined.

He never seemed the sort of person who was going to take his own life. He always seemed so sure of himself and so tough, in a confrontational way. You felt he was going to take on anybody; the fashion world, the art world, anybody. He wasn't frightened of anything.

Kanye [West] is a bit like Lee was; he is super quick and has a super-precise vision of what he wants. I did a lot of work with him about a year or so ago. He sat up close, and he rapped to me for 40 minutes. It was his scriptures—and it was mind-blowing.

My favorite chair at home is a Marcel Breuer, covered in ivory-colored suede. That's the chair in which I think. And as I sat in it, it occurred to me that most people have chairs where they sit and create. So we asked artists if we could borrow theirs for our panel debates: We had Hockney's stool and Lucian Freud's chair.

My wardrobe is super-narrow. I wear brogues by Trickers, suits by Kilgour, jeans by Levi's—505s, which they recently started making again—and shirts by Frank Foster. He's an incredible man; looks like Marlon Brando, was a boxer, drove an Aston Martin throughout the '60s and '70s and is now 93. He's one of those old-school shirtmakers of whom sadly there are very few left.

Not so long ago you wouldn't see anything from the Paris fashion shows for three months. Fashion now is so accelerated to the point that we are seeing the stuff hit the catwalk live. I don't want to claim things that aren't mine, but SHOWStudio launched that with Alexander McQueen's Plato's Atlantis—that was the first show to be streamed live as an event.

Nearly every image that people are seeing has been processed by a committee. I don't think people always understand that. Increasingly it is done with less artistic input and more commercial input, controlled only by a corporate desire to sell more. So artistic decisions are made by people who don't know how to make them.

Youth culture now is different. I can remember being in my parents' car and seeing the Ton-Up boys under a bridge on the North Circular and thinking: They look dangerous, they look exciting. Nowadays you don't see that.... You do find subgroups and cultures on the Internet. I came across this young Spanish artist called Rei Nadal, only just out of fashion college, and the Tumblr she was curating was great—everything was in her power. And her friends, the people she's talking to, aren't just in Barcelona, they're in Denmark or New York. It's not about being regional any more.

—Edited from an interview by Luke Leitch

STYLE & FASHION

FLAT IS WHERE IT'S AT

Modern life and a desire for something different has pushed heels off their pedestal

ON POINT Clockwise from top, Tabitha Simmons Vera flats, £402, matchesfashion.com; Jimmy Choo Gala flats with bow, £375, jimmychoo.com; Aquazzura Christy ballerinas, £363, farfetch.com; Rupert Sanderson Isolde pumps, £545, rupertsanderson.com; Nicholas Kirkwood pointed-toe flats, £295, net-a-porter.com; Miu Miu ballerinas, £565, mytheresa.com; Giorgio Armani pointed ballerinas, £411, farfetch.com

COVER: Clockwise from left, Lucy Choi London's Juliette, £225; Nicholas Kirkwood+Erdem, £420; Christian Louboutin's Pigaresille, £425, all net-a-porter.com; Alexandre Birman Bah ballerinas, €380, alexandrebirman.com.br

BY SUSANNE MADSEN

THERE WAS A TIME when no self-respecting fashion editor would be caught dead in a pair of flats. But these days, the front row have their feet firmly on the ground, in glamorous loafers, dainty pointy-toed flats, bejeweled sneakers or luxe pool sliders. High fashion, it seems, no longer requires high heels.

The spring runways must have been a sight for sore feet: Flats were everywhere, from Balenciaga's crisscross ballerina editions *(£305, balenciaga.com)* to Chanel's black and white ankle-strapped, cutout loafers (*£740, chanel.com*) and Dolce & Gabbana's ornate Mary Janes (*£875, dolcegabbana.com*). Even Victoria Beckham—she of the skyscraper stilts—has not only embraced the grounded look on her runway with slick, mannish leopard flats, but also in her own wardrobe, stepping out in Saint Laurent lace-ups (*£475, ysl.com*).

After years of dizzying heights, it seemed the only way for designers to go more extreme was to come down to earth

But these are no ordinary runabouts we're dealing with here. This season's flat is a seriously souped-up creature that has taken the heelless look into new, dressed-up and—dare we say it—sexy territory.

"I started doing flats because women would always apologize for wearing them when they met me, as if they had to be in heels when meeting a shoe designer," recalls Edgardo Osorio, the founder and creative director of shoe label Aquazzura. "I wanted to create flats that are as chic as heels—flats you don't have to apologize for. I design flats like I design heels: They must be seductive, beautiful and comfortable. I like statement flats that can take you from day to night," he says, referring to his signature Belgravia and Christy styles that lace up the ankle.

Going flat for evening remains a dubious prospect for many women. But, Mr. Osorio says, it's elegant and modern to wear flats with a cocktail or evening dress. "It gives the outfit an edge," he says. Are they as flattering as high heels? "Not all, but some can be; that is why I do strappy, lace-up ones, which elongate the leg and have a seductive side. They need to be special and as interesting as a high heel."

Natalie Kingham, the buying director at London-based luxury retailer Matches Fashion, has long favored brogues or leg-lengthening Stella McCartney flatforms. For spring, she recommends metallic or embellished styles for occasions, like Nicholas Kirkwood's gold leather loafers that work day and night (*£272, matchesfashion.com*). "It can be hard to pull off a classic cocktail dress with flats unless you're tall, but there are so many exquisite ones available now that anything goes," Ms. Kingham says, noting that customers have responded positively to fashion's flats invasion. "Flats work well with modern tailoring looks and often feel much more contemporary than wearing a very high heel."

So why have flats pushed heels off their pedestal? After years of dizzying heights, it seemed the only way for designers to go more extreme was to come down to earth. "It's the Phoebe Philo effect," says fashion blogger Susie Lau of influential blog Stylebubble, referring to Céline's ponyskin skate shoes, snakeskin loafers and mink-lined sliders. "I think it's also part of that breaking down of dress codes. Black tie has become a really fluid thing, similar to how sportswear has been taken from a gym context to day-to-day life."

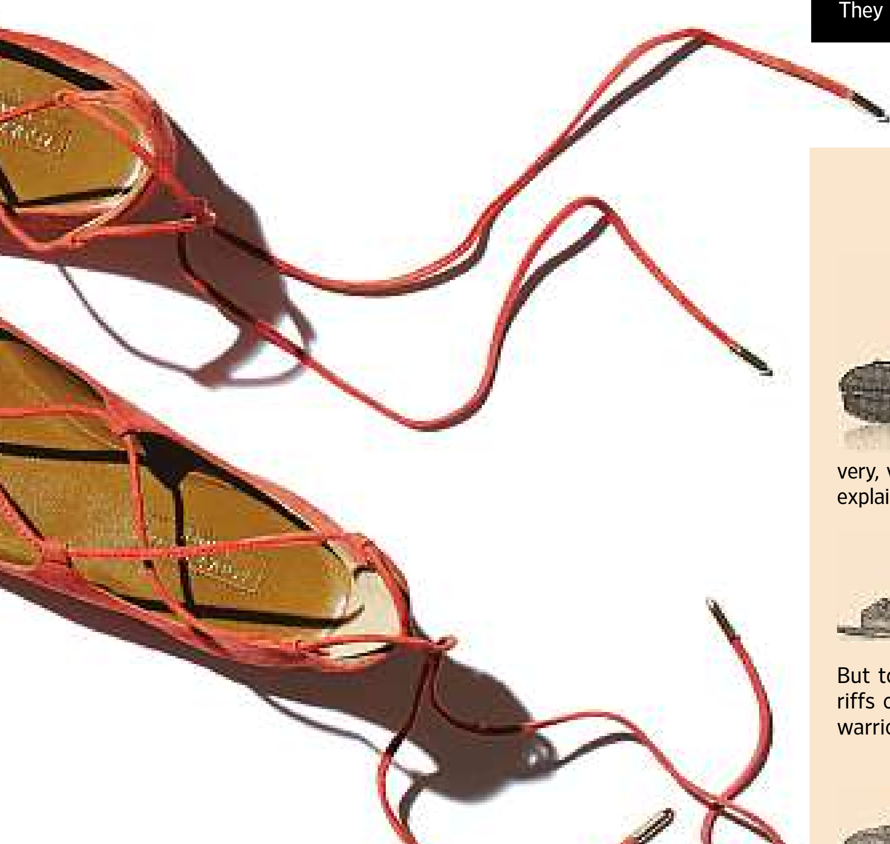
Ms. Lau is an avid flat-shoe wearer. "Flats allow you to walk and run freely," she says. "I'm not in pain, therefore I feel more relaxed, more like myself. That's happiness, no?" Mr. Osorio agrees that the return of the flat is directly linked to our modern lifestyle. "I think more and more women feel the need for shoes to run around in because they are busier than ever and much more active," he says. "[When] you juggle family life, work, travel, and so many other things, flats are just more practical."

Karen Preece Smith, a yoga instructor studying nutritional therapy, has always been a heel lover and got married in vertiginous

STYLE & FASHION

STEPPING UP From above left, model Nadja Auermann wears stilt-like stilettos in Vogue in 1995; ultrahigh chopines made from punched kid leather and carved pine from Venice circa 1600s

PUTTING YOUR BEST FOOT FORWARD
Shoes can take you places and even change your life—just ask Cinderella or Dorothy. It's this extra layer of meaning that shapes the Victoria & Albert's upcoming exhibition "Shoes: Pleasure and Pain." The show (*June 13-Jan. 31*) will examine footwear as a cultural indicator of status, identity, sexuality and seduction, from shoes for bound feet to ruby slippers, 1890s fetish boots and modern 3D-printed heels. "We are looking at shoes as symbolic transformation and powerful objects," says Lucia Savi, a research assistant at the museum who helped pick 200 pairs of shoes to show. Among them is a pair of gold-leaf sandals from Pharaonic Egypt dated 30 B.C., as well as men's red heels from the court of Louis XIV, who reserved the hue for nobility and the powerful (echoed by today's red-soled Louboutins). They don't call it being well-heeled for nothing.

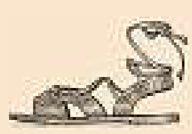


blue Nicholas Kirkwoods, but pregnancy made her "embrace the wonders of flats." The habit stuck, and Ms. Preece Smith now wears them day and night for their simple chic-and-pretty effect. This season, she has her eye on a pair of Christian Louboutin mesh flats to wear with skinny jeans and an Isabel Marant biker jacket.

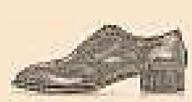
If flats still seem too sensible, you may be swayed by Simone Rocha's nude leather mules trimmed with fluffy feathers (*£375, brownsfashion.com*). Ultra delicate, they're the modern version of 18th-century silk slippers—the era's pinnacle of shoe luxury, worn only by the elite who could afford to just recline indoors.

IF THE SHOE FITS:
A STYLE GUIDE

PLATFORMS // Contrary to popular belief, strippers didn't invent the platform. "If you look at 1st-century sculptures from Ancient Greece, the goddess Aphrodite is wearing very, very high platform sandals," Ms. Savi explains.



GLADIATOR SANDALS // In Ancient Rome, going barefoot was the ultimate social stigma. But today's caged gladiators are actually riffs on indoor Roman sandals rather than warrior footwear.



BROGUES // You know those chic perforations on your brogues? They were originally punched so that 19th-century Scottish and Irish farmers could turn their wet shoes upside down and dry them out quickly.

WEDGES // Necessity is the mother of shoe invention, proved by Salvatore Ferragamo, who resuscitated the wedge during wartime steel shortages and used cork as reinforcement—as seen in his legendary 1938 rainbow suede pair.

MULES // A '90s minimalist staple with a sordid past. During the early 20th century, mules were considered extremely risqué thanks to their popularity among ladies of the night—but Marilyn Monroe later fixed their bad rep.

CASUAL COOL

Aquazzura's intricate Belgravia flats in suede (***$695, barneys.com***) work well with a cocktail dress. But the modern way of dressing up is to wear them with skinny jeans (*Acne Studios Skin 5 mid-rise, £170*), a plain T-shirt (*Rag & Bone's Tomboy, £70*) and a classic Saint Laurent biker jacket (*£3,100, all at net-a-porter.com*)—giving the urban uniform a pretty edge.

EVENING

Karl Lagerfeld has long championed the modern allure of a stylish flat. Matched with a light-as-air Marc Jacobs print dress (*£418*) and a neat-and-chic bag from Jerome Dreyfuss (*£680, both thecorner.com*), these midnight blue and black open-toe Chanel beauties are perfect for swanning effortlessly from daytime events to evening soirées (*£700, chanel.com*).

OFFICE

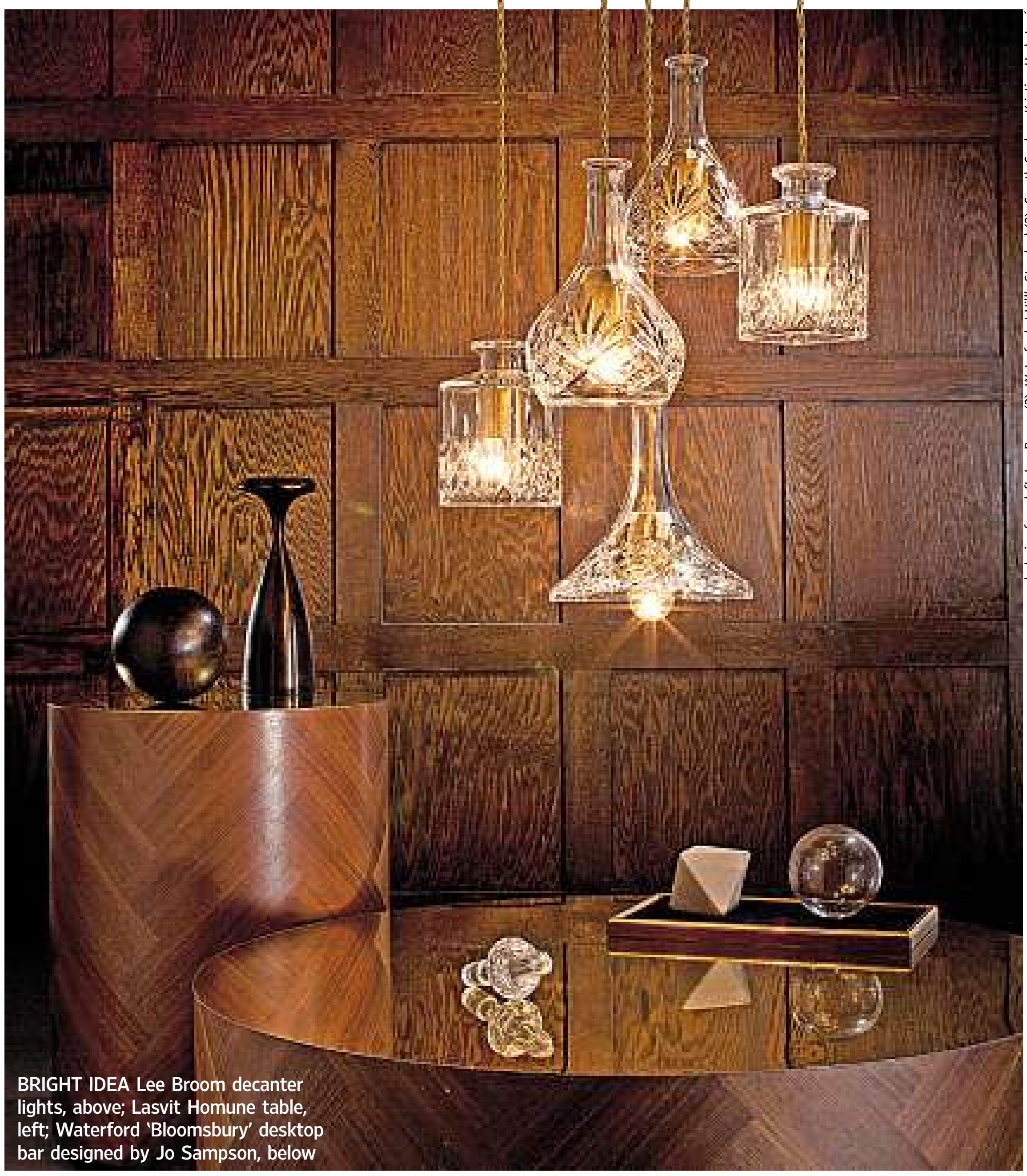
Nail contemporary workwear and there's no need to change into those ugly but comfy shoes for your commute. Set off crisp, fuss-free separates such as Jil Sander's straight-leg pants (*£270*) and a simple white Saint Laurent shirt (*£435*) with Victoria Beckham's pared-back wool-felt coat (*£2,190, all net-a-porter.com*) and Clown flats (*£1,150, victoriabeckham.com*).

Photography Dennis Pedersen, Ian Walsh, Harry Pedersen; v&an exhibit, from left: Estate of Helmut Newton / Maconochie Photography; Victoria and Albert Museum, London

Cutting-Edge Design

A band of innovative European designers is updating hand-cut crystal for a new generation

BY KATRINA BURROUGHS



BRIGHT IDEA Lee Broom decanter lights, above; Lasvit Homune table, left; Waterford 'Bloomsbury' desktop bar designed by Jo Sampson, below

clockwise from left, Lee Broom (2); Waterford; J Hill's Standard (2); Gareth Gardner; Kristina Hrabetová

FIVE YEARS AGO, hand-cut crystal looked incongruous in the contemporary home. The words "lead crystal" were shorthand for fussy, fusty and antidesign—the generations-old wedding present gathering dust in a cabinet somewhere. Then, a new wave of creatives rediscovered its charms, and revitalized the tradition with a fresh set of patterns and forms. With the arrival of this year's new lines—designs inspired by punk rock, mismatched attic finds and even the streets of Manhattan—cut crystal is officially a modern living must-have.

"The beauty of crystal is all about light refraction and depth of cut," says British designer Jo Sampson. "It's interesting to retain the cut, which makes it traditional, but [to] invent a contemporary form." Launched in January, her Rebel collection for Waterford marries the nonconformist spirit of 1970s counterculture with the opulence one expects from a firm with its roots in one of the longest glassmaking traditions—originating in Ireland in 1783.

The perception of what cut crystal can be has changed, she adds. It's moved away from conventional stemware for the table to more standalone pieces for the home, to be appreciated in their own right. "Crystal's time has come, because there's a new way of buying," says Ms. Sampson, who also created a range of jazzy London Desktop Bars for Waterford, with faceted crystal side panels, a built-in tray, and barware (*from £11,000; waterford.co.uk*). "We were conditioned to buy sets of eight. That made it feel inaccessible," she says. "Now our lifestyle is more eclectic. We don't buy sets; we choose things that don't match, but sit well together."

Cutting-edge designs are emerging Europe-wide, as the traditional glassmaking heartlands of Bohemia, Scandinavia, France and Germany put a twist on crafts of the past.

The standout launch from Swedish maker Orrefors this year is the Street decanter, featuring a grid pattern borrowed from New York's streets (*£199, scp.co.uk*). In the Czech Republic, Lasvit, which specializes in lighting installations and sculptural furniture, is producing innovative crystal designs such as the Homune table. Designed by Michael Young, its sculptural base consists of 36 individually handblown, interconnected elements and a crystal tabletop (*from £24,000, harrods.com*).

Theresienthal, the German glassworks founded in the 19th century, has conceived contemporary gems such as the Aden jewel box in vividly colored crystal with a "pineapple cut" lid (*from €361, theresienthal.de*). In January, France's oldest glassmaker, Saint-Louis, unveiled a range of impeccably modern marble and crystal hybrid pieces called Quadrille. It includes vases, candlesticks, a pedestal table and, the highlight, a crystal-base tray topped with a slab of Carrare marble (*£1,324, available from April; amara.com*). And Baccarat, the 251-year-old French glassworks famous for its supernova-sparkly chandeliers, recently launched an Everyday Baccarat range. The set of five tumblers, each with a different pattern, mimics a mismatched group of heirlooms and playfully brings the tradition of inherited pieces of cut-crystal bang up-to-date (*£330, available from mid-April; baccarat.fr*).

While the historic manufactories have raised their game, there are also stellar newcomers on the scene. Anike Tyrrell and her husband, Christopher Kelly, set up J Hill's Standard last year in County Waterford, Ireland, building on the region's reputation for cut crystal. "The brief to our designers has been to approach the formal design language in a new way that would feel relevant to a whole new generation," Ms. Tyrrell explains.

The couple takes pride in preserving traditional skills, but challenges the cutters to extend their repertoire beyond the familiar wedge and flat cuts to create layered, graphic patterns. Their Elements series, a range of mix-and-match drinking glasses—designed by Dutch duo Stefan Scholten and Carole Baijings in their distinctive, delicately graphic style—requires a particularly meticulous approach (*from €160; jhillsstandard.com*). "Each piece can be handled six or seven times whilst the design is layered up, in slow steps," says Ms. Tyrrell.

Cut crystal's new cool edge is partly due to the type of talent being drawn to the medium, and their clever subversion of the material's traditional usage. British product designer Lee Broom, who's known for taking time-honored crafts and reinventing them for contemporary homes, has been creating lighting in crystal since 2010. At the Milan Furniture Fair in April, he will show a cut-crystal version of the fluorescent tube.

Mr. Broom's fascination with the material began with a restaurant project. "I wanted to display a collection of vintage decanters, and also to make an interesting alternative to crystal chandeliers," he says. "I looked at the decanters and thought: I wonder if I can turn these into light fittings?" When he launched his Decanter light in 2010, it was made from upcycled vintage pieces—but the supply was limited.

"After 18 months we'd depleted the sources in Europe, so we had the crystal made from scratch," he says. "Going to the factories inspired me—anyone who's seen crystal being blown or cut will know, it's a theatrical experience." In 2012, Mr. Broom put into production the hand-cut Crystal Bulb, turning a disposable item into a design feature worthy of intrigue.

CRYSTAL THAT ROCKS

COOL CUTS // J Hill's Standard has a variety of contemporary styles (**1**), including Cuttings (***large tumbler, €130***) and the Elements series designed by Dutch partnership Stefan Scholten and Carole Baijings, with mix-and-match drinking glasses and decanters in patterns showcasing the duo's graphic style (**€545**). ***jhillsstandard.com***

LIGHT BULB MOMENT // The current interiors craze for bare bulb-style lighting can partly be laid at the door of Lee Broom's Crystal Bulb (**2**), made in the Czech Republic. The designer launched the light, which is hand cut with patterns inspired by vintage whisky glasses and decanters, in 2012 and it has become an interiors best seller. ***£119, leebroom.com***

HEART OF GLASS // The motifs of punk rock and the historic skills of lead-crystal cutting come together in Jo Sampson's Rebel collection for Waterford, available from April. Sparkly star of the collection is the Dog Bowl, (**3**) a 16 cm diameter dish that rejoices in faceted studs (like punk-era dog collars) and a 24-karat gold band. Blown and hand cut in Slovenia. ***€135; waterford.co.uk***

SHINE ON // The strength of Baccarat is its historic archive, which is adapted for every new generation. Louise Campbell's 2013 take on the glassmaker's classic Zénith chandelier. Using crystal interspersed with little lampshades, her 37-light Zénith Nervous chandelier is a lesson in witty extravagance. ***£105,000; baccarat.fr***

ABAMA, TENERIFE

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COPY CAT

Give Your Interiors Some Swing

l-r Adrian Houston/Rizzoli; F. Martin Ramin/The Wall Street Journal, Styling by Anne Cardenas

NICE THREADS Beachy sand-colored tassels and stripes at London's Blakes Hotel

IF ANYONE COULD turn the stuffy, staid tassel into a totem of cool, it's Anouska Hempel. The decorator, hotelier and former actress has used tassels to arresting effect throughout her career. She has suspended delicate versions from the blinds of her London townhouse and hung oversize ones on bedposts at her country estate, Cole Park. Perhaps my favorite examples—spied in a new monograph of her work (Rizzoli)—are at the Blakes Hotel in London, which opened in 1978 and is regarded as one of the world's first boutique hotels. In the striped "Pasha Room," the headboard and bedposts are adorned with giant hemp tassels from a Syrian market. In the "Corfu" Suite," they dangle from ornamental jousting poles that lean against the wall.

Tassels can be tacked on to just about anything. Go big and exotic, as Ms. Hempel did at Blakes, loop a discreet silk tassel over the knob of a chest of drawers or tie rustic raffia versions to the backs of dining chairs. "You don't want them to look twee or like an affectation," says Ms. Hempel. Avoid this, she advises, by sourcing playful tassels and using them in unexpected ways.

Jessica Light, one of England's last working trimming-weavers (clients include Vivienne Westwood), offers colorful ombré tassels that evoke seaside cabanas when stitched to the corners of a bed skirt, a trick New York decorator Todd Romano—who also uses them as chain covers on light fixtures—has employed.

Tassels are low on the commitment scale and are easily found online. But if you're up for adventure, Ms. Hempel recommends the bazaars of Istanbul and Marrakesh. —*Alexa Brazilian*

Key Tassel, *£10, jessicalightshop.com*

Samuel & Sons Orsay Silk Key Tassel, *£65, samuelandsons.com*

Multicolored Tassel, *£8, zarahome.com*

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Market Day in Covent Garden

London's market-turned-tourist-trap is becoming a prime real-estate hot spot

BY RUTH BLOOMFIELD

A ONE-TIME FRUIT and vegetable market turned international tourist attraction, London's Covent Garden is now attracting a different, and more lasting, kind of shopper.

A slew of boutique developments in the streets around its famous piazza have launched in the last 18 months, stimulating price growth as buyers priced out of more traditional prime central London neighborhoods move in.

The most striking example is the newly listed the Beecham, nine apartments within a period building overlooking the piazza. Its average prices have been set at £2,800 per square foot; at present the average price for new homes in the area is closer to £2,000 a square foot.

Gatti House, a remodeled historic townhouse containing four apartments, is due to begin selling later this year. The building was once a restaurant attached to the Adelphi Theatre and the apartments boast original plasterwork, high ceilings and huge windows.

Covent Garden's metamorphosis from mainstream tourist trap to high-end real-estate hot spot has been stage managed by U.K. property developer Capital and Counties Properties (Capco). In 2006 it spent £421 million on a 2.8-hectare swath of Covent Garden, including the piazza itself. It has subsequently increased its holdings to around a million square feet (around 92,900 square meters), worth around £1.3 billion.

The strategy, says Sarah-Jane Curtis, director of Capco Covent Garden, has been to create a more mixed environment with better quality shops and restaurants, fewer overpriced tourist traps and a stronger residential community with an emphasis on "the premium market."

Capco will start work on two boutique developments in the spring. Later this year it begins work on a major project, Kings Court and Carriage Hall, a 100,000-square-foot mixed-use project which will include 45 apartments close to the piazza.

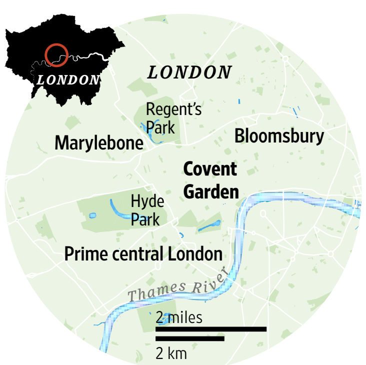
The investment appears to be paying off. Prices have been rising strongly, amid a backdrop of plateauing values in other parts of London.

A recent report by property consultant CBRE on the entire West End, which includes Covent Garden, estimated local annual price rises of 13% in 2014 compared with the previous year. Over the next year, Sean Macnamara, associate director of CBRE, believes prices will continue to grow, albeit not at the double-digit rates seen in 2013 and 2014.

Alex Hensley, sales manager at Stirling Ackroyd real-estate agents, has noticed a "big lift" in buyer enthusiasm in the area. He attributes this partly to Capco's involvement and partly to its proximity to London's new rail link, Crossrail, which from 2017 will link Heathrow Airport in west London, the West End and east London's financial district.

For Becky Fatemi, managing director of Rokstone real-estate agents, the appeal of Covent Garden is its culture and night life. "People want to be able to walk right out of their doors and go to a gallery or the theater," she says. Of course given the prices, few Covent Garden buyers are young; Ms Fatemi says they tend to be in their thirties.

Mr. Macnamara notes an important price differential between brand-new and resale property, the former selling for an average price of around £2,000 per square foot. However "second hand property" is cheaper and, even in such a small neighborhood, highly dependent on location.



> Prices have been rising strongly amid a backdrop of plateauing values in other parts of London

Homes close to the piazza and around Seven Dials, a confluence of seven streets filled with shops and restaurants, are priced at around £1,800 a square foot; elsewhere the average price drops to between £1,200 and £1,400 a square foot.

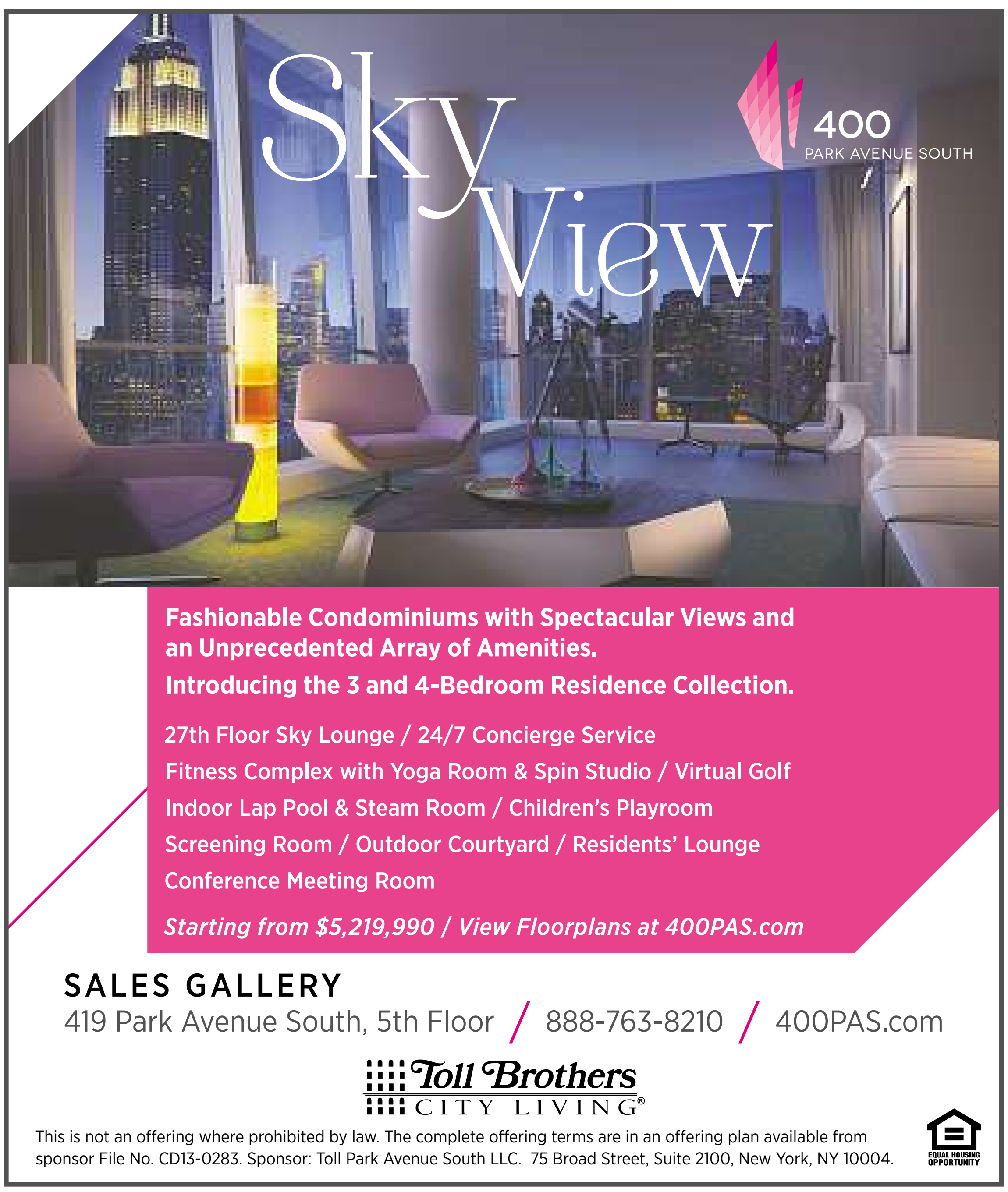
Covent Garden's appeal is also strong among renters, notably overseas students studying at London University, and lawyers working in nearby Holborn and Lincoln's Inn. In response to this demand, several of Capco's previous projects have been "build to rent" with weekly costs ranging from £650 for a one-bedroom apartment to £3,500 for a penthouse.

There are, however, some observers who fear that Covent Garden has a fatal flaw that will prevent it from joining the upper echelons of London's property market, and that is its sheer popularity. The area's shops, market, restaurants and of course the Royal Opera House between them attract around 40 million visitors a year, bringing with them noise, crowds and parking problems.

"I think that Covent Garden will always divide opinion because it is so busy," says buying agent Jonathan Mount, a partner at The Buying Solution. "It is very vibrant, but if you try and get somewhere quickly on a Saturday morning, forget it—you will be almost bumping shoulders with tourists everywhere."

MARKET FORCES The piazza at Covent Garden, top; a unit at the Beecham, right; the building, above, overlooks the piazza

from top, Covent Garden Piazza; The Beecham (2)



CULTURE

BACKSTAGE

DANIEL BRÜHL

Art house stories to blockbuster glory

From portrait, Michael Tran/FilmMagic; Revolution/ Amelia Troubridge; Target Presse Agentur Gmbh/Getty Images

MOST WANTED Daniel Brühl, left, stars in 'The Face of an Angel,' top, and 'Woman in Gold,' above, this spring

JUST AFTER I ASK Daniel Brühl to spill the beans on "Captain America: Civil War," the phone cuts out. Minutes later, back on the call, the German-Spanish actor jokes that it's the powers that be at Marvel Studios. "I am not supposed to say anything," he says of the film, which comes out next year. "I cannot even talk about the part, really, because I would be too afraid to give something away and then I'll end up in the Marvel prison and I do not want that."

If anyone could get a Get Out of Jail Free card, it seems like it would be the in-demand 36-year-old. Since his breakout role in "Good Bye Lenin!," which won him the 2003 European Film Award for Best Actor, Mr. Brühl has continued to build his reputation for studied and subtle performances in films such as "The Edukators" (2004) and "Inglourious Basterds" (2009). But it was his Golden Globe-nominated turn as Formula One champion Niki Lauda in Ron Howard's "Rush" (2013) that really opened doors.

Having recently returned to Berlin after three weeks hiking in Patagonia and the Easter Islands with his model girlfriend Felicitas Rombold, Mr. Brühl is geared up for a busy spring that includes promoting "The Face of an Angel," out March 27 in the U.K. and co-starring Kate Beckinsale and Cara Delevingne, and "Woman in Gold," out April 10, with Helen Mirren and Ryan Reynolds.

"The Face of an Angel" is loosely based on the Amanda Knox case. Is it hard being involved in a project that people are so familiar with?
I was attracted to the role because I was always attracted by the case. I almost blamed myself for being so curious following it. That film is about finding out the truth, about journalism, about objectivity—and I find that part of the film very interesting. I was surprised to see how committed journalists can become. It is almost more than actors do when they play a part.

You've said you like to play characters that are very different from yourself.
A part that is very much like me would not attract me. In "The Face of an Angel," I am happy to not be in such a dark place as the character. I am not a director...but he is from my world, so I do understand the problems he has.... I understand about failure in this profession and trying hard to make a new project and be successful again, and suffer from the pressure of people wanting you to do certain things you do not want to do.

Are there roles that you look back on fondly?
When I think back, "Good Bye Lenin!" is definitely one of them. I also fell in love with Berlin and it was the reason why I then moved to Berlin. The director became a good friend of mine and we did another film two years ago, which is going to be released pretty soon. It's called "Me and Kaminski." Also "Inglourious Basterds," working with a genius like Quentin [Tarantino].

Speaking of geniuses, what was it like working with Helen Mirren?
I was nervous when I saw her the first time. We had a dinner, I was sitting next to her and I was so troubled because I thought: "Oh god, it has to be an interesting conversation. How should I do it? How should I break the ice?" And then it was so easy. She could not have done it in a sweeter or more elegant way, because she has the talent of taking away the fear and restraints from you.

Are you excited to be involved in "Captain America: Civil War"?
Absolutely. It's huge for me. From the world I am coming from and the movies I have done, this feels big—megalomania and huge. I think I will be walking around for the first week being amazed, like a little boy, to be in that universe. It is going to be fantastic. It is something new. That is why it is a challenge. But it is something I am very much looking forward to because this is entertainment on the highest level.

You made a name for yourself in art-house films. Do you miss doing those?
It is nice on these big budget films to have the time and the money to do certain things properly. Certain stories need money and a budget to be told appropriately. But that does not mean I will lose interest in small films. I am very committed to art-house stories. That is where I am from, where I started.

You and a friend opened Bar Raval, a tapas bar in Berlin, a few years ago. Any plans to expand?
I would not mind expanding it. I am talking to my partner about opening an equivalent in Barcelona and calling it Bar Karlsberg and offering German food and German music. Why not? We also were thinking of opening a second place in Berlin because we have been quite successful. It is quite a popular place, and it makes us very happy and proud.

What else do you enjoy doing?
I like to travel. I am always back and forth between Barcelona and Berlin, but my girlfriend and I are thinking of moving to New York for a while because I think to stay in another place and get to know different cultures is a very important thing in life. I sometimes enjoy writing. I wrote "A Day In Barcelona." It is a not a Pulitzer award-winning novel, but it was an intimate little book.

Being on film sets, with all that down time, you must have a lot of pent-up energy. How do you channel that?
I love running and this is something that calms me down. Yoga does not work for me; I am too nervous. But in this profession it is important to have something that slows everything down, so I found out it can be hiking in Chile or running. I like playing tennis; it's a sport I really like watching as well.

So who's your favorite player?
Being a Spanish guy, of course I am a fan of Rafa Nadal. He is left handed like me, but there is a bit of a difference.

—Edited from an interview by Ginanne Brownell Mitic

TRACK RECORD

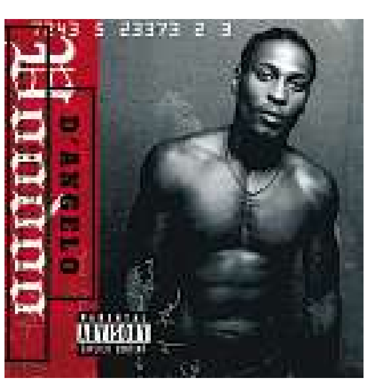
Laura Welsh on Music That Keeps Her Honest

Five albums with soul

British singer-songwriter Laura Welsh, 27, recently released her debut album, "Soft Control" (Outsiders/Universal), which includes a duet with John Legend. She spoke with Marc Myers.

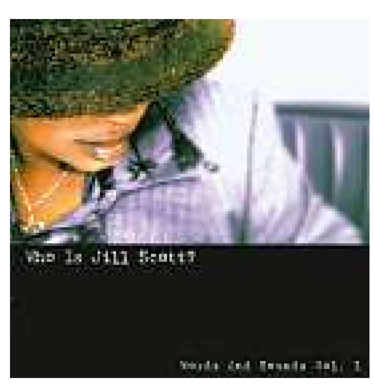
My mom, Jean, was a folk musician in the '70s and played guitar in local clubs in Staffordshire. Then she set music aside to raise a family. Mom played lots of country albums when I was little, and my older sister was into Prince. At music school, friends turned me on to soul. I'm inspired by all three styles, particularly singer-songwriters who sound comfortable with their voices and are honest in their delivery.

Until the Ribbon Breaks, "A Lesson Unlearnt," (2015) // Pete Lawrie-Winfield leads this British trio and mixes alt-rock, pop, electronic and rap. His voice has this breathless urgency, while his production is deeply influenced by cinema.



D'Angelo, "Voodoo" (2000) // The soul in his voice has a deep effect on me. It's gripping and soothing. I still get excited when I hear the arrangement and musicianship on songs like "Untitled (How Does It Feel)."

Carole King, "Tapestry" (1971) // It's a classic, but so stripped down, emotionally. Listen to "So Far Away." That's about as vulnerable as a voice can get. And King's so natural expressing how she feels in lyric form.



Jill Scott, "Who is Jill Scott? Words and Sounds Vol. 1" (2000) // I love how effortless Jill's vocals are and the conviction of her voice. It's a naked, fearless approach, and you can tell she loves what she's singing.

Amazon (5)

Cat Power, "The Greatest" (2006) // I bought this neo-folk album when I first moved to London. It brought me to tears. Chan Marshall sings in this husky, pained voice that's conversational and musical. I love how her voice curls around her lyrics.